EGYPT OIL&GAS NEWSPAPER

PSC's challenging role in fueling competitiveness

The legal and regulatory framework of upstream petroleum contracts is progressively changing as the tide of deregulation laps swiftly against the aging protectionist policies of state-regulated markets. Now, governments and petroleum producers alike are trying to adapt to the new way of doing business, though some are evolving faster than others

P14

Norpetco drills Abrar-3

The North Bahariya Petroleum Company (Norpetco) drilled a new exploratory well in the North Bahariya Concession, onshore Abu Gharadiq Basin as part of the company's drilling plan for the fiscal year of 2011/2012.

P08

SUCO invests $7.5 million in Ras Fanar

The Suez Oil Company (SUCO) completed the drilling of a development well in the Ras Fanar Development Lease, located offshore the Gulf of Suez Basin.

P09

Uganda Bid Round brings corruption allegations for ENI and Tullow Oil

Uganda is witnessing a political spectacle that is raising national concern over the accusation of the Prime Minister for receiving funds from Italian oil giant ENI for its acquisition of the Exploration Rights in Uganda against the British Tullow Oil.

P10

Deep water goes ahead

Following a year of slow economic recovery, unstable price fluctuations and damaging incidents in the Gulf of Mexico and China, the oil and gas industry is predicting healthy investment in new exploration and market opportunities in 2011

P20

Bapetco: new well on production line

Badr El-Din Petroleum Company (Bapetco) drilled new exploratory well in the Abu Gharadiq Basin, onshore the Western Desert, with total cost of $3 million.

The joint venture, comprising the Egyptian General Petroleum Corporation (EGPC) and Shell Egypt, each holds 50% share, drilled the NEAG C5E-1 well to a total depth of 9384 feet, through the EDC-42 rig.

Unlike the NEAG C7 East-1 exploration vertical well, which was abandoned in mid October 2010 as a dry hole after reaching total depth of 2,901 meters in the Kharita Formation, the new oil producing well is expected to be put on primary production lines soon.

This drilling operation is part of the company's drilling plan for the 2011/2012 fiscal year.

GPC moves according to plan

In the context of the company's 2011 development plan, the General Petroleum Company (GPC) drilled the Amer H-67 development well, in the Ras Amer fields, located in the Eastern Desert.

According to a top official, the well is a crude oil producing well that was drilled to a total depth of 7504 feet, through the ST-4 rig.

The drilling cost of this well is not disclosed, as the budget of the complete drilling program is not approved yet.

The Amer H-67 has been put on the company's production line.

On the other side, the company is currently considering the purchase of a work-over rig for its wells in the Ras Ghareb area, in the Western Desert.

The estimated cost of the new rig counts for 22 million Egyptian Pounds.

The GPC aims at increasing its production rate through a new development plan that will be implemented during the fiscal year of 2011/2012.

The production volume of the company stood approximately at1.283 million barrels during the last month of September.

PetroSennan celebrates its 1st anniversary

PetroSennan, the joint venture between the Egyptian General Petroleum Corporation (EGPC) and Naftogaz, revealed its new drilling program for the area of Ras Ghareb in the Western Desert.

The new plan consists of the drilling of five development wells in addition to four exploratory wells in the same area. The total investments of the 2011/2012 drilling program revolves around $58 million.

The company aims at putting these wells on production lines, which would support the company's objective of increasing its production rates.

In last September, PetroSennan's production rate stood at 44,688 million barrels of oil.

The company kicks off its second year in the Egyptian petroleum market with plans for development and expansion. PetroSennan celebrated its first year in the market. Since its establishment on October 21, in 2010, the company has been working hard to realize its goals and vision.

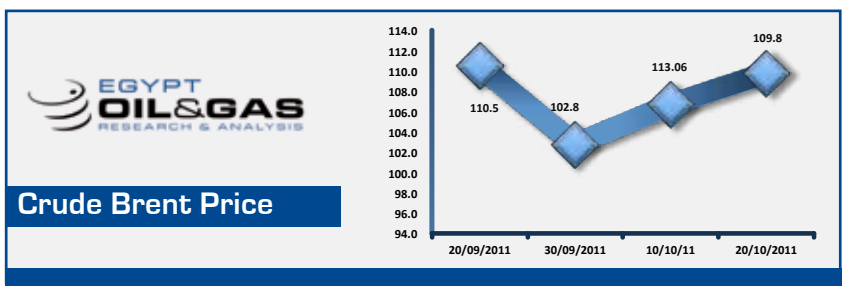
EOG Voice P 06

To Whom It May Concern!

Interview with Eng. Hamed El-Ahmady

Challenging factors hinder better PSC's terms

P16



Still waiting for the change

After the January 25th Revolution, each one of us set a list of hopes and dreams for a better future, whether on a personal level or on a professional one. Talking about the latter, it seems that the path of change is extremely slow! No real changes take place and it looks like the old system and working style still persist. As a stand against the lack of transparency and cooperation with media, EOG team refrains from writing the editor's note this month!

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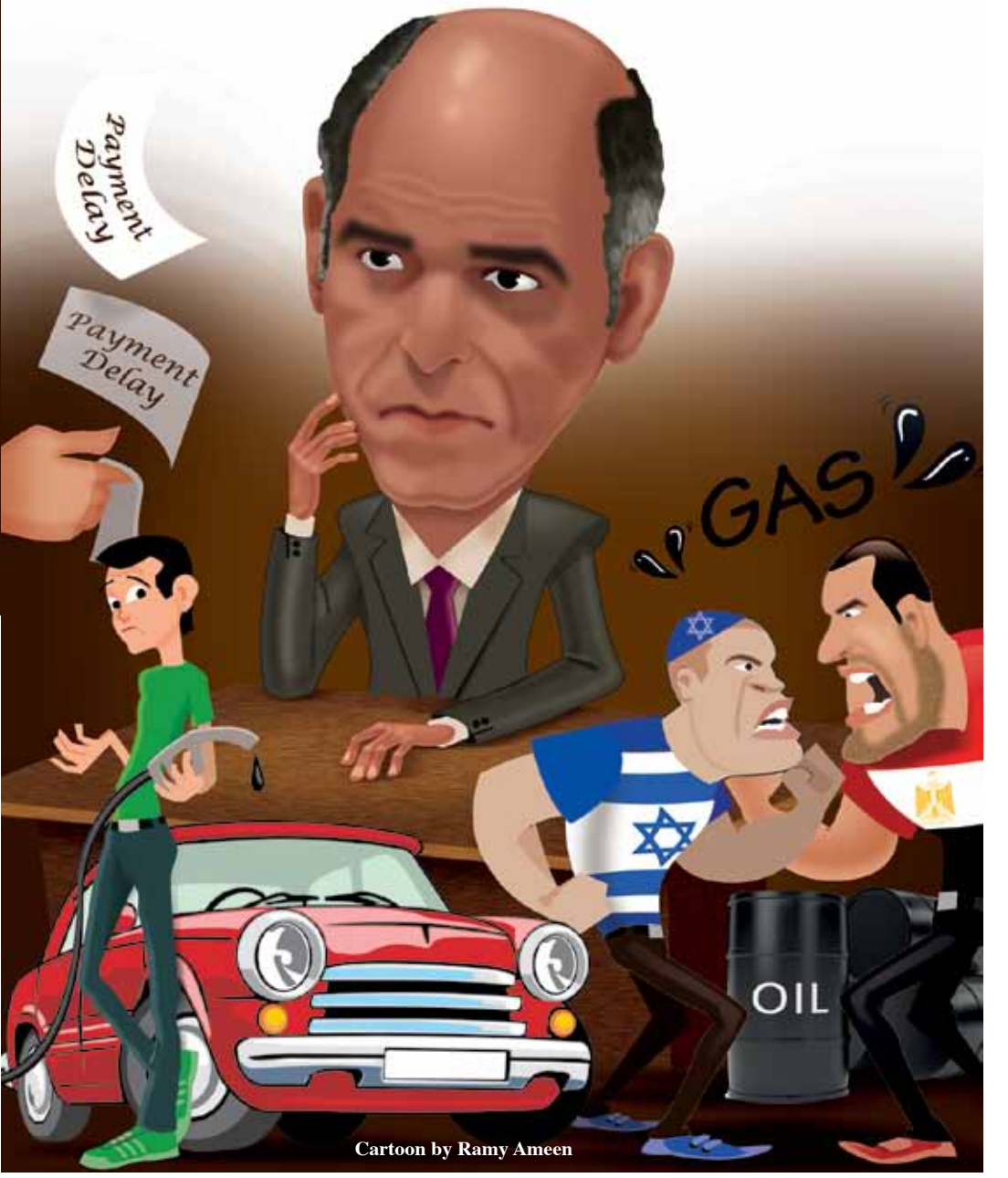
To Whom It May Concern!

Egypt Oil & Gas Newspaper team has been exploring many of the ambiguities surrounding the Egyptian petroleum sector. Despite the remarkable effort that has been exerted in advancing the sector's potential to achieve international standards, there is still a morbid sense of shared fear and anxiety among everyone involved in the sector



Cartoon by Ramy Ameen

May be this status of anxiety is due to the absence of public declarations and clarifications from the top executives in the field. Eng. Abdullah Ghorab, the current Minister of Petroleum has been eluding the inconvenience of issuing press releases or talking to news agencies specialized in the petroleum field until the magnitude of public outrage reaches an intolerable level. Alas, several of the crucial aspects in the petroleum sector remain equivocal despite public pressure. Even more astonishing is how these issues are arising during a time where the government is supposedly fostering transparency and democracy.

For six years now, our publication has been a dependable source of news and information on the Egyptian petroleum sector that investors heavily rely upon, and our journalistic ethical responsibility is quite dependent on our ability to gather information from high-ranking officials in the field. As an attempt to maintain the integrity in today's turbulent times and to provide realistic expectations for the future of the petroleum sector, Egypt Oil & Gas seeks an open dialogue with Eng. Ghorab in person. Our esteemed Minister of Petroleum is renounced for his calm domineer and exceptional competency; his overall attitude is indicative of genuine commitment to developing the petroleum sector, increasing the overall production rate and turning Egypt into an international player in the field.

In spite of our relentless efforts over the previous six years to bring the most informative and credible news to the public, we still encounter deliberate resistance from officials and the Ministry of Petroleum in agreeing to meet with us. Moreover, another barrier is the constant interference by ministry officials, through their extensive network of connections, in a manner that disrupts our ability to accurately report significant and sensitive news. It is never our intention to criticize any specific individual in the field; we are only trying to find the proper channel to tackle the vague and perplexing subjects that only your mature wisdom could shed the light on.

Respectfully, the public has the right to know what kind of changes have taken place in the Petroleum Ministry after nine months of the eruption of the triumph of our revered. Moreover, there is a common public question that is often raised; what is the Ministry's plan for the upcoming period with regards to the development of our petroleum industry? Has a plan been actually drawn or is the Ministry still in the process of developing one? And if there is an actual plan, what prevents the Ministry from transparently publicizing its strategy via any of the various forms of media? What are the benefits that would come from concealing the future plans of country's petroleum sector?

Will the current interim Ministry keep the same relationship with media? Because it is not only the media that is encountering difficulties with the Petroleum Ministry, companies attracting foreign investments that are crucial to the overall welfare of our national economy are being deterred and discouraged by the ministry's shady practices. The sorrowful tale of gas exportation to Israel whose beneficiaries were a select group of Egyptian businessmen and the Israeli government which provoked massive protests calling for the complete termination of that deal.

There is also case of local participation in the petroleum operations. Why is the Ministry determined on marginalizing Egyptians in the petroleum job market? The 25th of January Revolution erupted due to the very issues being illustrated here. The Egyptian youth took to the streets in the utmost enlightened way of civil disobedience demanding the elimination of the despotic, archaic and inefficient systems. Should we ever expect these modest dreams to actually materialize?

In our opinion, nothing has changed since our proud revolution, which inspired optimism towards more transparent and competent governmental bodies, ones that would conduct business in a highly respectable and professional manner, especially when it comes to respecting the media's freedom of expression. Unfortunately, the petroleum heads ruthlessly and apathetically disregarded such humble dreams of freedom and equality, just like every other governmental entity did.

There exist a number of questions befuddling Egyptians' minds that merit meaningful answers from our current Petroleum Minister Eng. Abdullah Ghorab. Are not the traits of transparency and credibility conducive to eradicating the administrative corruption in all its shapes and forms? Or is it that we are so used to being equivocal and misguiding. How does the Ministry plan on resolving the catastrophe of outstanding debts? Are plans already being set to deal with such imminent disaster or are we holding our breath for the requested $1.5 billion from international monetary organizations?

Does the Ministry and its entities awaiting public pressure to respond to the problem of gas exportation to Israel and Jordan? On which basis were the price modifications reached? What prevents our esteemed minister from holding a press conference to highlight the significance of exporting gas to Israel with such moderate prices?

At the end, it is our professional and ethical responsibility to report the facts and truth. We demand transparency with all forms of media through the legitimate channels we are authorized to use. Earlier this year, we all took the streets chanting "The People Want Change", and our statement was meant to be general, encompassing whichever needs changing. Isn't it our right as citizens to dream of change? Until when do we have to bear such burden? We kindly ask for your Excellency's prompt response.

Petrobel leads a busy drilling schedule

Balayim Petroleum Company (Petrobel) is heading further with its 2011/2012 plan by the drilling of two development wells and another exploratory one, in Sinai and the Mediterranean areas respectively.

The two development wells 112-141 H and 112-140 H were drilled to total depths of 9243 feet and 10427 feet respectively in the area of Sinai.

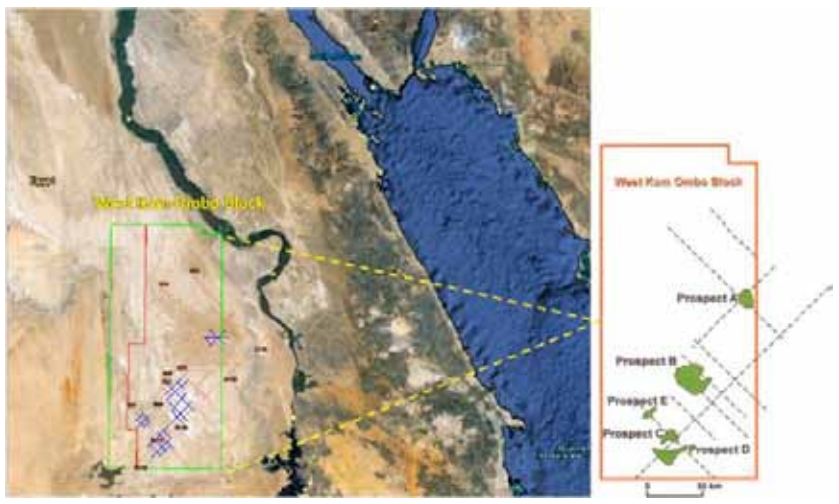
The drilling cost of the 112-141 H well totaled $2.504 million, while the 112-140 H drilling cost counted for $3.299 million.

Moreover, the company finished the drilling of Salmon-1 exploratory well in the Mediterranean area, with $18.174 total cost. The oil producing well was drilled by the Scarabe-4 rig to a total depth of 5335 feet.

Petrobel is jointly owned by the Egyptian General Petroleum Corporation (EGPC) and Italian Eni,

In last September, the total production rate of Petrobel stood at 4.148 million barrels of oil.

Energean drills new WKO well



Aegean Energy Egypt, the subsidiary of Energean Oil & Gas, completed the drilling of a new exploratory, WKO-3 well in its West Kom Ombo Block Concession.

This drilling activity comes after the announcement made by the company in last September stating that it is starting the 2nd Exploration Phase of West Kom Ombo Block Concession License ending September 2014, which covers a total area of 23,640 Km2.

The new well was drilled to a total depth of 2623 feet by the ST-2 rig, but it is classified as a dry hole.

The cost of this drilling activity averaged $2.1 million.

Energean has drilled in the previous phase two wells that correlate well with the stratigraphy of the Al Baraka field. Therefore, closures in the deeper parts of the basin will be the focus of the 2nd exploration phase.

The Operator has managed to recently secure and holds a 90% working interest with Groundstar Resources Limited holding the remaining 10% carried interest through the 2nd exploration phase.

Norpetco drills Abrar-3

The North Bahariya Petroleum Company (Norpetco) drilled a new exploratory well in the North Bahariya Concession, onshore Abu Gharadiq Basin as part of the company's drilling plan for the fiscal year of 2011/2012.

The Abrar-3 well was drilled to a total depth of 6785 feet, through the PDI-104 rig.the cost of this crude oil producing well averaged $1.74 million.

Norpetco was awarded the 165 sq km development lease on 27 October 2004, over the Abrar 1 (Bahariya North 1), Ganna 1, Ferdaus 1 and Rawda 1 discoveries made in the former North Bahariya exploration block.

The Abrar-3 well was put on production line, which serves the company's target of increasing its production rate.

Norpetco, the joint venture between the EGPC and Sipetrol, achieved a monthly production rate of 397733 barrels of oil during last September.

Foster Wheeler awarded PMC contract for the Qasr Compression Project

Foster Wheeler AG announced that a subsidiary of its Global Engineering and Construction Group has received a contract from Apache Corporation for the provision of project management consultancy (PMC) services to oversee the front-end engineering design (FEED) for the Qasr Compression Project in Egypt.

The Qasr Compression Project will provide additional compression to the existing facilities at the Qasr gas condensate field, in the Western Desert, approximately 525km west of Cairo.

The Foster Wheeler contract value for this project was not disclosed and will be included in the company's third-quarter 2011 bookings.

Foster Wheeler will provide expertise and personnel to assist Apache Khalda in the management and administration of the FEED phase of the project. The FEED is expected to be completed at the end of 2011.

Foster Wheeler AG is a global engineering and construction contractor and power equipment supplier delivering technically advanced, reliable facilities and equipment.

Bapetco deepens operations in Sitra

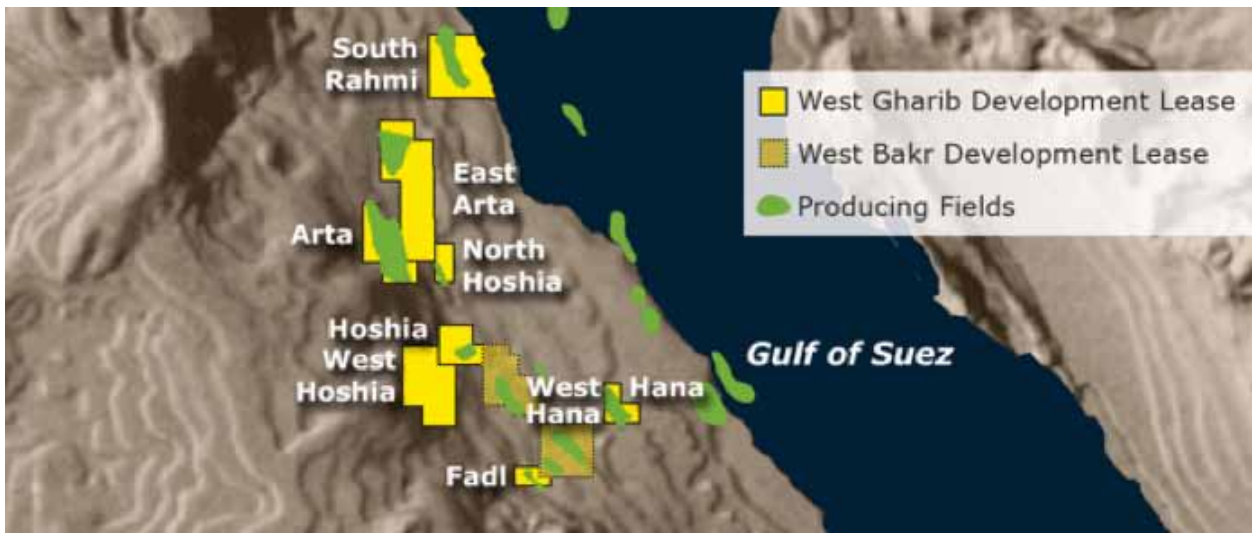
Badr El-Din Petroleum Company (Bapetco) invested $2.172 million in a drilling activity in the Alam El-Shawish Concession, onshore the Western Desert.

The company completed the drilling of Sitra 8-14 development well to a total depth of 11565 feet through the EDC-72 rig.

This drilling operation serves the 2011/2012 plan of Bapetco, the joint venture between the Egyptian General Petroleum Corporation (EGPC) and Shell Egypt.

Bapetco is Involved in the oil and gas exploration and production in the Western Desert area, through its fields, such as Bed-1, Bed-2, Bed-3, Neag, Neag-1, Sheiba; Sitra, El-Hamra, Obayied and America.

Petrodara drills in Hoshia development lease



Dara Petroleum Company (Petrodara), a subsidiary of TransGlobe drilled new development well Hoshia-14, in the Hoshia North field, onshore the Gulf of Suez Basin.

The oil producing well was drilled to a total depth of 4160 feet, worth $755 thousand-investment.

The well, drilled through the EDC-62 rig, has not been placed on production line yet.

TransGlobe succeeded to hold 100% working interest on all nine West Gharib leases in 2008, when it an $18-million deal in 2008 to acquire an additional 25% in the eight development leases of Fadl, Hoshia, Hoshia North, Hoshia West, Hoshia East, Rami South, Arta and Arta East on West Gharib contract.

BP hits gas discovery in Nile Delta

BP Egypt announced the Salmon gas discovery in the North El Burg Offshore Concession, Nile Delta.

Salmon is the third gas discovery BP has made in the concession following Satis-1 and Satis-3 Oligocene deep gas discoveries.

Salmon, drilled by IEOC, the affiliate of ENI in Egypt, on behalf of concession operator BP, is located 50 kilometers to the north of Damietta. The wireline logs and pressure readings confirmed the presence of gas in two shallow Pleistocene intervals. The well was drilled by Scarabeo IV rig in water depths of 87m and reached a total depth of 1600m. Further appraisal work to evaluate the resources is underway.

Hesham Mekawi, President and General Manager of BP Egypt stated, "The success of Salmon highlights the great potential of the shallow reservoirs within the Nile Delta, and helps unlock additional resources in surrounding acreage. It demonstrates the ongoing cooperation with the Ministry of Petroleum to deliver new gas discoveries and incremental supply to meet the future growth of the gas business in Egypt."

The parties to the North El Burg Offshore Concession agreement are: BP (operator

Beach hits exploration success in the Western Desert

Beach Energy revealed its new gas and condensate discoveries achieved at its first two exploration wells, GPZZ-4 and Al Ahmadi-1, in the Abu Sennan concession in the Western Desert.

Recent test results from both its GPZZ-4 and Al Ahmadi-1 wells indicate both gas and condensate flows.

GPZZ-4 was drilled as the first well of a six-well program in the Abu Sennan concession. During initial testing, gas and condensate flows were recorded from the lower Bahariya Formation. These tests recorded gross flow rates of approximately 850 barrels (bbls) of condensate and seven million standard cubic feet (MMscf) of gas per day. This equates to a gross equivalent flow rate of approximately 2,000 barrels of oil equivalent (boe) per day. GPZZ-4 also recorded flows from the Abu Roash "G" Member and the upper Bahariya Formation with initial rates of approximately 150 bbls of condensate and 1.6 MMscf of gas per day.

The second well, Al Ahmadi-1, also recorded gas and condensate flows within the Abu Roash "G" Member. Initial tests recorded gross flow rates of approximately 800 bbls of condensate and 13.5 MMscf of gas per day. This equates to a gross equivalent flow rate of approximately 2,900 boe per day. Al Ahmadi-1 also recorded flows from the lower Bahariya Formation with initial rates of approximately 70 bbls of condensate and one MMscf of gas per day.

It is expected that these discoveries will be tied in to nearby infrastructure, located within 10 kilometers of the discoveries.

Both rigs are now being mobilized to drill the next exploration targets, Al Jahraa and El Samiya, which will focus on multiple Cretaceous horizons. Spudding of these wells is expected over the coming weeks.

The Joint Venture equity interests in Abu Sennan are: Beach (via wholly owned subsidiary Beach Petroleum (Egypt) Limited) holds 22%, Kuwait Energy has 50% and Operator Dover Petroleum with 28% working interest.

SUCO invests $7.5 million in Ras Fanar

The Suez Oil Company (SUCO) completed the drilling of a development well in the Ras Fanar Development Lease, located offshore the Gulf of Suez Basin.

The new RF-A12 well was drilled to a total depth of 5576 feet through the Heritage rig.

This oil producer well had a drilling cost of $7.574 million.

SUCO is the joint venture between the Egyptian General Petroleum Corporation (EGPC) and RWE Dea. According to official figures, SUCO's total oil production in last September stood at 566,660 barrels.

Khlada's double drilling activity in the Western Desert

Khalda Petroleum Company completed the drilling of two wells' one development and exploratory, in its fields in the Western Desert.

The first exploratory well, Prince-3X was drilled to a total depth of 15550 feet through the EDC-50 rig. BG allocated $2.879 million investment for this gas producing well, which is under production evaluation tests.

On the other side, Khlada, the joint venture between the Egyptian General Petroleum Corporation (EGPC) and Apache Corp. invested another $2.468 million to drill the Qasr-46 development well.

The company drilled the well to a total depth of 14000 feet, through the EDC-11.

The Qasr-46 has been put on production line.

It is worth mentioning that the production rate of Khalda during last September stood at 4,475,893 cubic feet of gas.

Transglobe plugs and abandons Diwan-1

TransGlobe Energy drilled the exploratory well Diwan-1 in Nuqra Block 1, which was plugged and abandoned.

Diwan-1 was drilled to a total depth of 6,750 feet, approximately 304 feet into the Basement. The well encountered good quality reservoir sands which were not hydrocarbon bearing.

The 3.65 million acre Nuqra Block exploration concession is in the second and final extension period, which is scheduled to expire in July 2012. The Company has met all the work commitments of the second extension period and has no plans for further exploration at this time.

TransGlobe, operator of the Nuqra 1 Block, holds 71.43% working interest.

KEC develops Area A, in the Eastern Desert

Kuwait Energu Company (KEC) completed the drilling of a development well in Area Am onshore the Eastern Desert.

The Kareem-37 well was drilled to a total depth of 2038 feet, by the SAK-10 rig.

The Kuwaiti E&P company, invested approximately $1.38 million, has put this oil producing well on the company's production line.

KEC is the operator of the block that covers a total area of 350 km2, with 70% working interest, while the remaining 30% are held by Petrogas.

Kuwait Energy was established in August 2005 in Kuwait as an independent Oil & Gas Exploration and Production company. Currently, the company operates in eight countries namely Egypt, Yemen, Iraq, Oman, Ukraine, Latvia, Russia and Pakistan.

West Delta Deep Marine Phase 8a enters operations

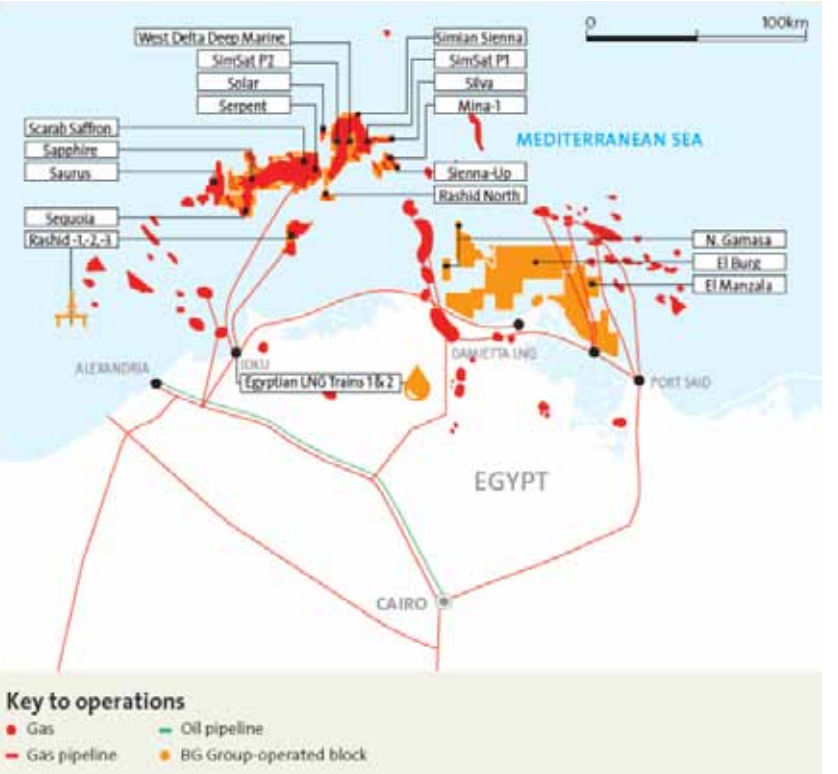
BG Egypt announced the start of gas production on 17 October 2011 from the Phase 8a Deepwater Development Project.

The Project is within the West Delta Deep Marine Concession (BG Group 50%, PETRONAS 50%) located approximately 90 kilometers offshore the Nile Delta. The Project represents yet another successful milestone in the phased development of the Concession.

Phase 8a was sanctioned in April 2010. Commenting on the project, BG Egypt President Arshad Sufi said, "Phase 8a has been delivered under budget and ahead of schedule. This latest phase of development of the West Delta Deep Marine Concession reflects the company's commitment to continued investment in Egypt's energy sector."

Managed by the Joint Operating Company (JOC) Burullus Gas Company S.A.E. (EGPC 50%, BG Group 25%, PETRONAS 25%), Phase 8a is an extension of the existing deepwater subsea infrastructure and comprises nine subsea wells.

Petrojet, an affiliate of the Egyptian General Petroleum Corporation, fabricated all of the subsea structures in their Maadia yard, making this the largest subsea construction project completed by the Maadia facility. The project generated 1.2 million man-hours of local employment and during peak construction activity, employed up to 500 people per day on site.



Drilling and completion operations were undertaken by two semi-submersible deepwater rigs, the Saipem operated Scarabeo 6, and, the Diamond operated Ocean Endeavour. Technip was awarded the main subsea EPIC contract that included detailed engineering design, procurement, fabrication and installation. The majority of the subsea controls systems were supplied by Vetco Gray, with Aker Solutions providing controls systems for one well. Cameron supplied the 9 subsea trees and subsea deepwater connector system components.

Since project sanction, the safety record of the project has been exemplary, with 2.4 million man-hours achieved without a Lost Time Incident.

Petronas sponsors the Malaysia Independence Day Celebration

PETRONAS PICL (Egypt) Corporation Ltd. sponsored the "Malaysia Independence Day Celebration in Cairo" that was organized by the Malaysian Embassy in Egypt.

H.E. Dato' Dr. Mohd Fakhrudin Abdul Mukti, Ambassador of Malaysia in Egypt, in his welcoming speech, shared his observation on the bilateral relationship between Egypt and Malaysia which has significantly and continuously improved. Fakhrudin said, Egypt is the most important trading partner in Africa, and it is the main importing Country of Malaysia products especially the palm oil, the wood products, and cars spare parts, and that is in addition to other major Malaysian companies including PETRONAS.

H.E. Dato' Dr. Mohd Fakhrudin Abdul Mukti Ambassador of Malaysia in Egypt and his wife Dr. Zaharah Mohd Hashim with Mr. Aminul Rashid Chief Executive Officer of PETRONAS PICL (Egypt) Corporation Ltd.

The celebration was attended by high-profile guests, among them Shaiful Anuar Mohammad head of Chancery and guest of honor Dr. Mohamed Abd Al Fadeel Al Kosy The Egyptian Minister of Awqaf (Islamic Religious Endowments). The event was also attended by a number of Ambassadors and dignitaries from Asian and European Countries. Amongst the dignitaries that attended the celebration were PETRONAS' guests such as Eng. Hassan EL Mahdy Chairman of EGAS, Eng. Ashraf Zaki Vice Chairman for Operations of EGAS, Ahmed Mostafa El Nimr Vice Chairman for Administration of EGAS, Anthony Pearce Managing Director of Burullus, Eng. Karem Mahmoud Chief Executive Officer of Egyptian LNG, Mahmoud El Tabie VP Policy & Corporate Affairs of BG Egypt, Jaine C Miller VP Legal & Governance of BG Egypt, Arno Spies Chief Financial Officer of GdF Suez Egypt, and representatives from the Egyptian petroleum authorities, Ministry of Petroleum, joint venture partners and local media.

Aminul Rashid Mohd Zamzam, the Chief Executive Officer of PETRONAS PICL (Egypt) Corporation Ltd., welcomed around 100 guests to the celebration, which had the theme of "Successful transformation prospering the People".

Nigeria to remove oil subsidies

The Nigerian President Jonathan Goodluck faces public criticism over his latest decision to lift all subsidies off petroleum products.

There were previous attempts from the Nigerian government to implement the removal of subsidies, which were the focus of heated debates among Nigerians from different social circles, and have prompted protests and strikes across the nation.

Goodluck revealed last month that the government plans to deregulate Nigeria's dilapidated downstream oil sector.

Arguments by proponents of 'freeing' the Nigerian petroleum market suggest that deregulation would engender the ideal milieu for foreign investments to thrive. Oil refineries would start springing up across the country, creating job opportunities and progressively turning the country into a hub for the refinement of petroleum products, at least in sub-region of West Africa. Not to mention that deregulation brings Nigeria a step closer to fulfilling the conditions of the IMF's Structural Adjustment Programs, which require countries seeking monetary assistance to liberalize their markets and minimize protectionist policies.

Nigeria holds a daily crude oil production of nearly 2 million barrels and a portfolio in excess of 36 billion barrels. However, it falls short on the primary infrastructure to process crude oil such as refineries and pipeline networks, which forces the country to export its crude production and import processed fuel.

The Nigerian government plans to start phasing out the subsidies' gradual removal by next January

Nigeria's trade unions have promised mass strikes, protests and civil unrest if subsidies are removed. The National Labor Congress (NLC), an umbrella union group, stated that the "uprisings in North Africa and protests around the world against greed are an indication of the backlash the government can expect if it goes through with the deregulation."

On the other side, the Minister of Petroleum Resources, Dr. Diezani Alison-Madueke announced that the Federal Government plans on maintaining the subsidies on Kerosene, the primary domestic fuel in most homes in Nigeria.

The Minister further added, "Structure of the industry is oligopolistic, dominated by a few major players, whose preference is for export instead of domestic market".

The legislative framework for the growth of the gas sector is basically inexistent, since the Petroleum Act was essentially developed for oil, and is inadequate in handling key issues that pertain to the production of natural gas. "Such obstacles, she added, have long obstructed the development of a fully competitive market driven gas sector in Nigeria."

Lukoil strengthens exploration investments in Sierra Leone

Lukoil revealed its plan to invest a minimum of $100 million for the exploration program at the SL-5-11 block in Sierra Leone.

According to the corporate newspaper of Lukoil Overseas, the operator of the Russian oil major's international upstream projects, the company secured a 30-years contract for exploration and production at the block. Lukoil has been granted the right to reinterpret previously obtained seismic, conduct electrical surveys, and drill one exploration well at the block throughout the coming two years.

Lukoil Overseas in July reached an agreement to acquire from Oranto Petroleum a 49% stake in the exploration and production agreement for the deepwater SL-5-11 block off the coast of Sierra Leone.

The 4,022-square-km SL-5-11 block is located in Sierra Leone waters, on the shelf and continental rise of the Atlantic Ocean, 35 km from the port of Bonte and 170 km from Freetown, the country's capital. Water depth within the block ranges from 100 to 3,500 meters. 2D and 3D seismic survey conducted at the block have identified several prospective structures, including Savanna and Leon. The block is part of the Sierra-Leone - Liberia Basin, where a number of sizable oil fields have been discovered over the past two years, confirming the prospectivity of the basin. One of these fields, Venus, discovered by U.S. firm Anadarko, is located right next to the Leon structure and "is essentially a part of it," the paper said.

Lukoil Overseas, the operator of the project, has a 49% stake, Nigeria's Oranto holds 30% and Vanco of the United States owns 21%.

Dragon Oil secures a farm-in deal offshore Tunisia

Dragon Oil plc., an international oil and gas exploration, development and production company signed a farm-in agreement with a wholly owned subsidiary of Cooper Energy Limited to earn a 55% participating interest in any development phase and assume operatorship of the Bargou Exploration Permit, offshore Tunisia.

This Tunisian exploration permits covers an area of 4,616km2 with predominantly offshore exploration prospects located in the Gulf of Hammamet and leads in water depths of approximately 50 to 100 meters.

According to the terms of contract, Dragon Oil should pay 75% of the drilling cost of the Hammamet West-3 well in the Hammamet West Oil Field, which is estimated at $26.6 million, in order to earn the 55% participating interest in the Bargou Exploration Permit.

Any extra drilling costs will be shared among the joint venture partners pro rata to their participating interest. The well plan consists of a pilot hole followed by a horizontal section to intersect the fractures within the Abiod formation thereby increasing the flow potential of the reservoir. This well is expected to be drilled in 2012.

The farm-in is subject to approvals by the Government of Tunisia and the joint venture partners and to completion of further due diligence by Dragon Oil.

"Dragon Oil is pleased to announce a farm-in agreement with Cooper Energy in the Bargou Permit, which in addition to testing the Hammamet West Oil Field with the Hammamet West-3 well, offers exploration upsides through a number of additional independent prospects and leads. This farm-in is part of our plan to build a portfolio of development and exploration opportunities in order to grow the Group into a multi-asset company. We believe our experience offshore Turkmenistan with complex and challenging reservoirs will be useful in better understanding, appraising and developing the Hammamet West Oil Field. We look forward to the opportunity of working in Tunisia," commented Abdul Jaleel Al Khalifa, Chief Executive Officer, Dragon Oil.

"We continue to search for new projects where we can deploy our technical and operational expertise in key regions of interest, including Africa, Central Asia, the Middle East and selectively south-east Asia," he added.

Following completion of the farm-in conditions, the Bargou Joint Venture will comprise Dragon Oil (55%), Cooper Energy (30%) and Jacka Resources (15%). If the Hammamet West-3 well is successful and the Joint Venture proceeds with development of the Field, Dragon Oil will assume operatorship of the Bargou Exploration Permit subject to confirmation from the Government of Tunisia.

Uganda Bid Round brings corruption allegations for ENI and Tullow Oil

Uganda is witnessing a political spectacle that is raising national concern over the accusation of the Prime Minister for receiving funds from Italian oil giant ENI for its acquisition of the Exploration Rights in Uganda against the British Tullow Oil.

On October 11th, the Ugandan Members of the Parliament indicted the Prime Minister Amama Mbabazi for receiving money to lobby for ENI's acquisition of the Exploration Rights in Uganda against the British Tullow Oil that eventually won the bid, reported IRIN, the UN Office for the Coordination of Humanitarian Affairs.

On the other side, the MPs accused Sam Kutesa and Hilary Onek, Ministers of Foreign and Interior Affairs respectively, of receiving over $31 billion in bribers to fix the outcome of the bid in Tullow Oil's favor.

Tullow Oil denied the allegations, calling them "outrageous" and "defamatory" in a letter to the Ugandan Parliament, while ENI refrained, till the present day, from issuing any public statement regarding this matter. Officials under scrutiny naturally denied all charges as well. Yet, under pressure from MPs, the ministers complied to step down from their positions to allow for investigations in the charges brought against them to take their full course.

The competition between ENI and Tullow Oil over Ugandan Exploration Rights dates back to the end of 2009, when ENI and Heritage commenced a Sale and Purchase Agreement for the assignment of Heritage's 50% interest and operatorship in blocks 1 and 3A in Uganda, of which Tullow Oil owns the remaining 50%.

Alas, Uganda faces other significant obstacles apart from the recent events. Although the exploration for oil began in Uganda over a decade ago the country has yet to establish a coherent framework to regulate and manage potential oil revenues. The Ugandan government claims that their income and tax laws are sufficient to handle the oil industry; a claim that if not reconsidered promptly, could have grave repercussions on the Ugandan economy as a whole. The Ugandan government is simply not prepared yet to start oil production, a state the leaves its petroleum future up in the air.

Eni hits a giant gas discovery offshore Mozambique

Eni announced a giant natural gas discovery at the Mamba South 1 prospect, in the Area 4 Offshore Mozambique. The discovery well encountered a total of 212 meters of continuous gas pay in high-quality Oligocene sands.

The Mamba South 1 discovery well is located in water depths of 1585 meters approximately 40 km off Cabo Delgado coast, in the Northern offshore of Mozambique. This is the first exploration well in Area 4.

Results exceed pre-drill expectations and confirm the Rovuma Basin as a world-class natural gas province.

The well will be drilled to reach an expected total depth of around 5000 meters. After completion of drilling and testing activities, the rig will move to drill the second commitment well, Mamba North 1.

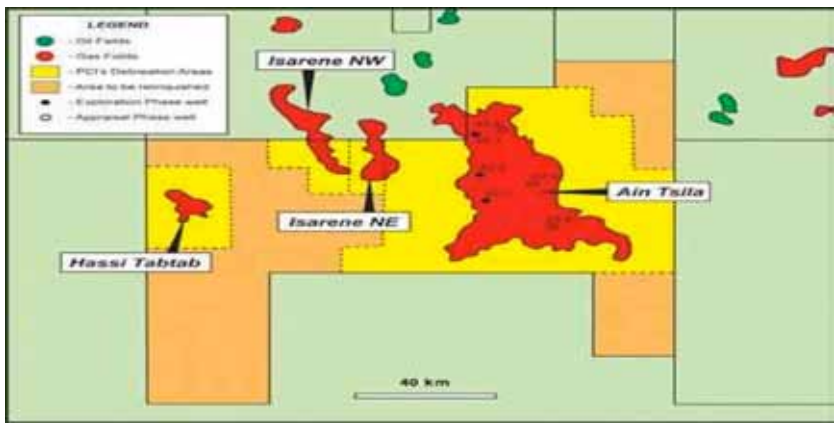
Eni considers that this impressive discovery can lead to at least 15 tcf of gas in place in the Mamba South Area where the potential of the Tertiary Play that exists in Area 4 will be further assessed under the present drilling.

The outstanding volume of natural gas discovered will lead to a large-scale gas development with a combination of both export to regional and international markets through LNG and supply to the domestic market. This will support the industrial and economic growth of the Country.

The Mamba South discovery marks a new milestone for Eni since the resource potential assessed with the first exploration well makes it the largest operated discovery in the company's exploration history. The exploration success in Mozambique expands the leadership of Eni in Africa by opening a new eastern front of activities.

Eni is the operator of Offshore Area 4 with a 70-percent participating interest. Co-owners in the area are Galp Energia (10 percent), KOGAS (10 percent) and ENH (10 percent, carried through the exploration phase).

Petroceltic generates positive results in Algeria



Petroceltic International announced that fracture stimulation of the AT-8 well on the Ain Tsila discovery in Algeria has further enhanced the substantial pre-facture flow rates announced earlier this month to 38.6 mmscf/d.

In addition, the well has produced over 1,100 barrels per day of condensate. These results exceed the previous best test results achieved at AT-1 and further confirm the high deliverability achievable in this field.

Brian O'Cathain, Chief Executive of Petroceltic commented, "We are delighted that fracture stimulation has substantially enhanced the excellent flow results at AT-8. This flow rate has been constrained by testing facilities and we estimate that a potential rate in excess of 50 mmscf/d of gas is possible from this well in the production phase. These results exceed the very high flow rates reached in the 2009 AT-1 well tests and further confirm that high deliverability is achievable in this field. The gas flow rates achieved here will have a significant impact on the Field Development Plan which we plan to submit to the Algerian competent authorities by the end of January 2012."

He added, "Our appraisal programme is continuing at a rapid pace with AT-7 well test results and the AT-9 well logging and testing scheduled before year end."

The AT-8 well was designed to appraise a pop-up feature with a mapped fault system and to test the extent of the hydrocarbon column in the north of the Ain Tsila field. The well, which is the first well to be drilled with the KCA Deutag Rig T-211, is located 5km north east of AT-1 and 4.5km north west of the AT-5 well in an undrilled section of the field.

Frontier awarded 1st license in Namibia

Frontier Resources International Plc, the PLUS-quoted exploration and production company, has been awarded an Exclusive Exploration Licence by the Namibian Ministry of Mines and Energy covering Blocks 1717 and 1817 in northern Namibia, announced the company.

The onshore blocks awarded to the company, covering approximately 18,900 square kilometers, are located in the Owambo Basin in the northern part of the country near the border with Angola.

Frontier's Chief Executive Jack Keyes said, "This is Frontier's second African licence this year and we continue to work hard to bring in new assets and seek new opportunities in this unexplored region of Africa as well as the Middle East."

While this basin remains largely underexplored, there are some older seismic lines available. Under the terms of the license, Frontier is obligated to gather all available data on the blocks in addition to reprocessing and re-interpreting the existing seismic data and conducting a reconnaissance geochemical sampling program to high-grade any structures identified.

Other exploration companies operating in the onshore basin include Houston-based Hydrocarb/ATA and local company Preview Energy. Exploration interest in Namibia's Owambo Basin is being driven by the similarity of the geological formations, which have the same geological history as some oil producing regions in the Middle East.

This is Frontier's first license in Namibia, which serves the company's plan to expand its exploration portfolio in southern Africa having, in February of this year, been awarded an exploration block in Zambia.

Tullow farms in a Kenyan license

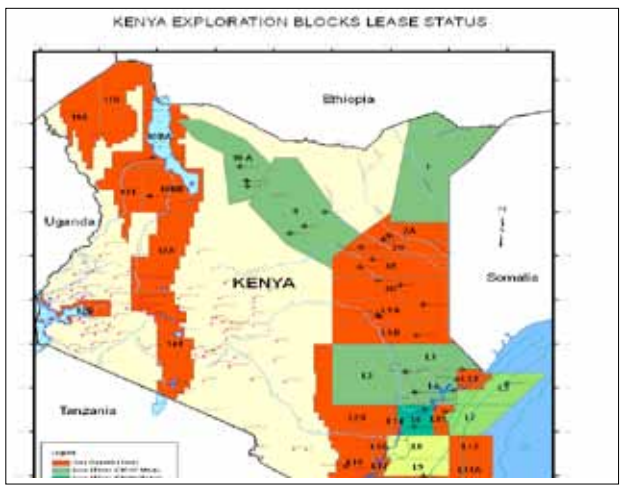
Pancontinental Oil & Gas completed a farm out deal with Tullow Kenya, a wholly owned subsidiary of Tullow Oil, which awards the latter with an interest in the Kenyan license L8.

Tullow will farm in a 10% interest in the license that contains the giant Mbawa Prospect while Pancontinental will retain a 15% stake.

According to the agreement, Tullow will have an option to earn an extra 5% by providing funding on its own and on Pancontinental's behalf after the first earning phase.

In the frametext of the far-out first phase, Tullow has to carry on drillinhg operation of the Mbawa prospect.

The Kenya L8, operated by Apache Corporation that holds 50% stake, includes a consortium of Origin Energy (20%) and Pancontinental Oil & Gas and Tullow Kenya (15% each).



ExxonMobil, BP, Eni invest $100 billion in southern Iraq

The top energy advisor to the Iraqi Prime Minister, Thamer Ghadhban announced that Exxon Mobil Corp., BP PLC and Italy's Eni SpA plan to spend approximately $100 billion to upgrade three oilfields in southern Iraq.

Ghadhban told Dow Jones Newswires that the first phase of upgrading the West Quna oilfield will cost nearly $50 billion and carried by Exxon Mobil, while the remaining $50 billion will be allocated for the for the upgrade of Rumaila and Zubair oilfields by BP and Eni respectively.

"We have $100 billion for the three fields," Ghadhban told reporters on the sidelines of an Iraqi energy conference in Istanbul organized by the London-based CWC Group. "The bulk (of the finance) is for West Qurna 1 because the Rumaila and Zubair fields were well advanced in terms of development, such as number of wells, oilfield facilities, other infrastructure, while West Qurna phase 1 needs more," he said.

According to the terms of deals signed with the three companies in 2009, they will start receiving costs and remuneration fees per extra produced barrels when they reached 10% of baseline output increase. Currently, the total production of the fields reached 2 million barrels a day, while it is expected to exceed 6.8 million barrels by 2017.

The Qurna, Rumaila and Zubair oilfields are Iraq's mass-production fields as they pump nearly 70% of Iraq's total oil output that counts for 2.9 million barrels a day.

Iran develops more gas fields in the Persian Gulf

The National Iranian Offshore Oil Company revealed plans to begin the development of six new offshore natural gas fields in the Persian Gulf, whose reserves are estimated at 25.7 trillion cubic feet.

Iran, the world's second largest country in terms of gas reserves, plans to reach a daily natural gas production of 10 billion cubic feet from the Lavan, Resalat, Reshadat, Salman, Kangan, Hamoun and Gorzin sites.

The new sites are adjacent to the Persian Gulf's giant South Pars gas field, which is jointly shared by Iran and Qatar. South Pars is estimated to contain about 14 trillion cubic meters of natural gas, roughly eight percent of the current total world reserves.

Iran's Pars Oil and Gas Company managing director Mousa Souri said that the South Pars has been divided into 24 phases of development. "All phases of the giant South Pars gas field will go on stream by 2015," reported Press TV.

The National Iranian Offshore Oil Company estimates that the output of the new six fields will be equivalent to the South Pars natural gas field development phases 9 and 10.

Adma-Opco to boost production

Abu Dhabi Marine Operating Company (Adma-Opco), a unit of Abu Dhabi National Oil Company (Adnoc) plans to increase its crude production capacity by 14.2% to 700,000 barrels per day by the end of 2014, said Adma-Opco's Chief Executive Ali Rashid Al Jarwan.

"The expansion at the Lower Zakum field will take its capacity to 425,000 barrels per day from the current 325,000 barrels per day," he added.

On the sideline of the first KPMG GCC Energy conference, Al Jarwan clarified, "The capacity at the field will be ramped up by the end of 2012. The field will attain its full capacity by the end of 2014".

Al Jarwan said the current cumulative production capacity at Adma-Opco's oilfields was 600,000 barrels per day.

Adma-Opco said earlier this year that the offshore construction for the Zakum water injection upgrade project, which is aimed at increasing oil output by 100,000 barrels per day from the Lower Zakum field, is set for completion by June 2012.

The construction of the Zakum water injection project began last June.

The project will upgrade the water injection facilities and instal a new water injection platform meant to enhance the water injection volumes.

Adma-Opco, majority-owned by Abu Dhabi's state oil firm, plans to spend at least $10 billion (Dh36.7 billion) developing two offshore fields to boost the firm's crude output 60 per cent by 2017, Al Jarwan said last year.

BP boosts gas investments in Oman

UK oil giant BP plans to invest a total of $15 billion into the Sultanate of Oman in recognition of the potential of its gas sector and as part of a significant push into gas in the Middle East, reported Oman Observer.

"BP believes that there may be as much as 100 trillion cubic feet (tcf) of tight gas in place (as distinct from proven recoverable reserves) within our Block 61 concession in Oman," said Dr. Jonathan Evans, BP's General Manager for the Sultanate of Oman, in a recent interview with the Energy Exchange in which he discussed BP's position in the tight gas-rich country.

"We are currently working on a Field Development Plan which will deliver an annual average of 1 billion cubic feet of sales gas per day. The Khazzan Project represents the first phase of development of the large unconventional gas resource present in Block 61," he added.

BP is expected to submit the Field Development Plan to the Ministry of Oil and Gas during 2012, which once approved, the company will secure a 30-year production period from these Oman's fields.

Evans highlighted, "I expect that we will see price rises towards the true cost of production or the alternative cost of import. Once prices rise then developing more costly gas resources - such as tight gas and sour gas - will make sense and increase gas supply flow. We may also see new infrastructure built to connect gas deficient countries with those countries, which have a gas surplus. For example, connecting Iraq with Kuwait would seem to make sense - just as the Dolphin pipeline system connects Qatar to the UAE and Oman."

A technical challenge faced by BP is the deep gas reservoirs. These reservoirs are 4.5 to 5 kilometers below the surface and are very tight, restricting gas from flowing out of them and into the wells. Some form of reservoir stimulation is mandatory to ensure the flow of gas from these into the wells.

"We have demonstrated that hydraulic fracturing can deliver enhanced flow rates from the reservoirs," said Evans. "Our top technical challenges are to drill the wells more quickly and efficiently to optimize the hydraulic fracturing for delivering the most flow in a cost-effective way."

He further explained, "Because these reservoirs are generally deeper and hotter than those for which tight gas technology was developed in North America and the North Sea, we are developing the technology further to apply to these reservoirs in Oman."

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Aramco, Sinopec to conclude Yanbu Deal

Saudi Aramco, State oil giant and China's Sinopec Group are expected to sign the final agreement to build a 400,000-barrels per day (bpd) oil refinery in Yanbu, during this month.

"We will sign the deal, but the time has not been set yet," Fu Chengyu, Chairman of Sinopec Group told Reuters.

In July, the Chinese government approved Sinopec's plan to jointly build the refinery, after state-run Saudi Aramco struck in March an initial pact to build the $10 billion plant in the world's top oil exporting country.

According to the terms of deal, both companies will establish a joint venture called Red Sea Refinning Co, which will be 62.5% owned by Aramco, while the remaining 37.5% stake will be held by Sinopec.

The signing of this deal will mark Sinopec's first refining project outside the Chinese territories.

The Saudi refinery was to have been built by the U.S oil firm ConocoPhillips jointly with Aramco, but it withdrew from the project in April 2010 as it shifted away from the refining business to focus on oil and gas exploration.

"Our co-operator Saudi Aramco has a timetable. We will stick to it," Fu said when asked about the refinery's start-up date, which is expected to come online in 2014.

The refinery is designed to process heavy crude from the Manifa oilfield that is included in a development program to maximize its production capacity to 900,000 bpd by 2014.

Aramco is also building another 400,000-bpd refinery with France's Total in Jubail on the Gulf coast.

ABB wins Main Automation Contract for Sadara project

ABB, the leading power and automation technology group, has won the Main Automation Contract (MAC) for Sadara Chemical Company (Sadara), a joint venture (under formation) between affiliates of Saudi Arabian Oil Company (Saudi Aramco) and The Dow Chemical Company (Dow), announced the company in a statement.

"ABB's combination of leading-edge technology and extensive global and regional resources help it consistently execute large, complex projects like this one, so that our customers can operate successfully from the outset," commented Veli-Matti Reinikkala, Head of ABB's Process Automation Division. "Our competitiveness, long-term customer relationships and commitment to providing solutions achieving the highest levels of safety and efficiency were key factors in winning this order."

Sadara and the related integrated chemical complex, located in the Jubail Industrial City, will be the largest plastics and chemicals production complex ever built in one phase, when fully operational by 2015.

ABB, the project's MAC, will provide process automation systems, safety systems, project management, project engineering, commissioning assistance, post-commissioning site support, as well as engineering, operator, and maintenance technician training.

Iraqi road clear for Chevron Phillips' 6$ billion-investment

Chevron Phillips has been granted the green line from the Basra Investment Commission to invest a total of $6 billion in a new chemical facility in the Iraqi province.

According to Aswat al-Iraq Newspaper, Chevron Phillips has not released a statement yet, however the confirmation was announced by the Basra Investment Commission, which confirmed that the project would include the construction of petrochemical plants in the first phase.

The giant U.S chemical firm, jointly owned by ConocoPhillips and Chevron, will be authorized to use the associated bgas from south oil fields as feedstock.

The Comission aims at developing the country's petrochemical industry in association with the major oil companies already active in the southern areas of Iraq.

Iran to export jet fuels

Iran plans to start the exportation of jet fuel supplies produced in the Bandar Abbas refinery in Southern Iran, reported Fars News Agency.

Iranian Deputy Oil Minister Alireza Zeiqami said, "The jet fuel production line has come on line in Bandar Abbas oil refinery for the first time and has successfully passed its testing phase and fuel production is currently underway".

Zeiqami added, "The initial steps for exporting jet fuel supplies and its shipment have been coordinated in a bid to show another proof of the independence of the Islamic Iran to the world people."

Managing Director of the National Iranian Oil Refining and Distribution Company (NIORDC) Jalil Salari revealed last month that some of the neighboring and East Asian countries have expressed willingness to buy Iranian jet fuel.

It is worth mentioning that Iran started hiking up its jet fuel production capacity after US President Barack Obama imposed the toughest US sanctions on Iran aimed at choking off Tehran's access to imports of refined petroleum products like jet fuel and curbing its access to the international banking system.

The Iranian Deputy Oil Minister stressed that Iran "is not faced with any problem in the production and storage of jet fuel", and played down the recent boycott imposed by certain western states on the supply of jet fuel to Iran and Iranian planes.

The US sanctions against Iran have been first approved by the UN Security Council on June 9th, 2010. The US Senate passed a legislation to expand sanctions on foreign companies that invest in Iran's energy sector and those foreign companies that sell refined petroleum to Iran or help develop its refining capacity.

Shell: $17.2-billion Iraqi gas deal to be approved

Iraqi Oil Minister Abdul Kareem Luaiby said that the Iraqi Cabinet is expected to approve the $17.2 billion deal with Royal Dutch Shell PLC soon.

"There is not any problem concerning the agreement and I think the Council of Ministers (CoM) will approve it in the next weeks," Abdul Kareem Luaiby told Dow Jones Newswires in an interview.

Last July, Shell and Japan's Mitsubishi Corp. signed the Iraq South Gas agreements to capture and process gas from three giant southern oil fields--Rumaila, West Qurna phase 1, and Zubair.

"The 25-year venture calls for an investment of $17.2 billion to create the Basra Gas Company. Baghdad would have a 51% stake, Shell 44% and Mitsubishi 5%," reported Dow Jones Newswires.

A total of $12.8 out of the $17.2 billion investment will be spent on infrastructure, while the remaining $4.4 billion are allocated for the construction of a liquefied natural gas facility.

According to the terms of agreement, the company is allowed to export gas that are not used by Iraq's power plants and after meeting first the local demand.

The venture would process associated gas produced from three supergiant Iraqi fields--Rumaila, West Qurna phase 1 and Zubair--all in Basra governorate.

"We are committed to supply the venture with 1.6 billion cubic feet a day from these fields," Luaiby had previously said.

The joint venture would sell processed gas to Iraq's state-owned South Gas Company.

Iraq is the 10th largest country in terms of natural-gas reserves, which total 112.6 trillion cubic feet (tcf).

Saudi Arabia inaugurates 500 kW solar PV plant

Saudi Arabia inaugurated its first solar photovoltaic (PV) power plant, as it continues to diversify its energy sources.

The 500-kilowatt PV array located on Farasan Island, will save the equivalent of transferring 28,000 barrels of diesel fuel to the island annually.

"Saudi Arabia is committed to building and refining alternative energy solutions," said Saudi Ambassador to the United States Adel bin Ahmed Al-Jubeir.

"This program is one large step that will benefit the environment and the Saudi people."

The solar PV plant was developed by Saudi Electricity Company (SEC) and Japanese Showa Shell, a Japanese energy company partly owned by the Saudi Arabian Oil Company which will own the project for up to 15 years before the assets are transferred to SEC.

The solar PV facility is part of SEC's efforts to introduce clean energy.

Saudi Arabia aims to reduce its use of fossil fuels and rather export these, according to Arab News.

The Kingdom is a prime location to harness solar energy because of its year-round sunshine. The sun in Saudi Arabia emits about 7,000 watts of energy per square meter over an average of 12 hours every day.

Mozambique, South Korea to construct solar power stations

Mozambican Minister of Finance Manuel Chang and the Export-Import Bank of South Korea vice-president Sang Wan Byun signed the accords in the Mozambican capital Maputo.

The Mozambican and South Korean governments have signed two loan agreements totaling US$60mn to underwrite both the establishment of an Emergency Information Management System and the building of three photovoltaic solar power stations.

Mozambican Minister of Finance Manuel Chang and the Export-Import Bank of South Korea vice-president Sang Wan Byun signed the accords in the Mozambican capital Maputo.

Under the terms of the agreement, US$35mn will be used to finance the construction of solar power stations in Muembe, Mecula and Mavago districts in Mozambique's northern Niassa province.

GE and Greenko develop wind power in India

GE Energy Financial Services and Indi's Greenko Group Plc will develop up to 1 GW of wind energy projects across India

GE will invest US$50 million supporting 500 MW of Greenko's planned development of 1 GW of wind projects in India. Greenko has committed US$65m for the venture, Greenko Wind Project Private Ltd.

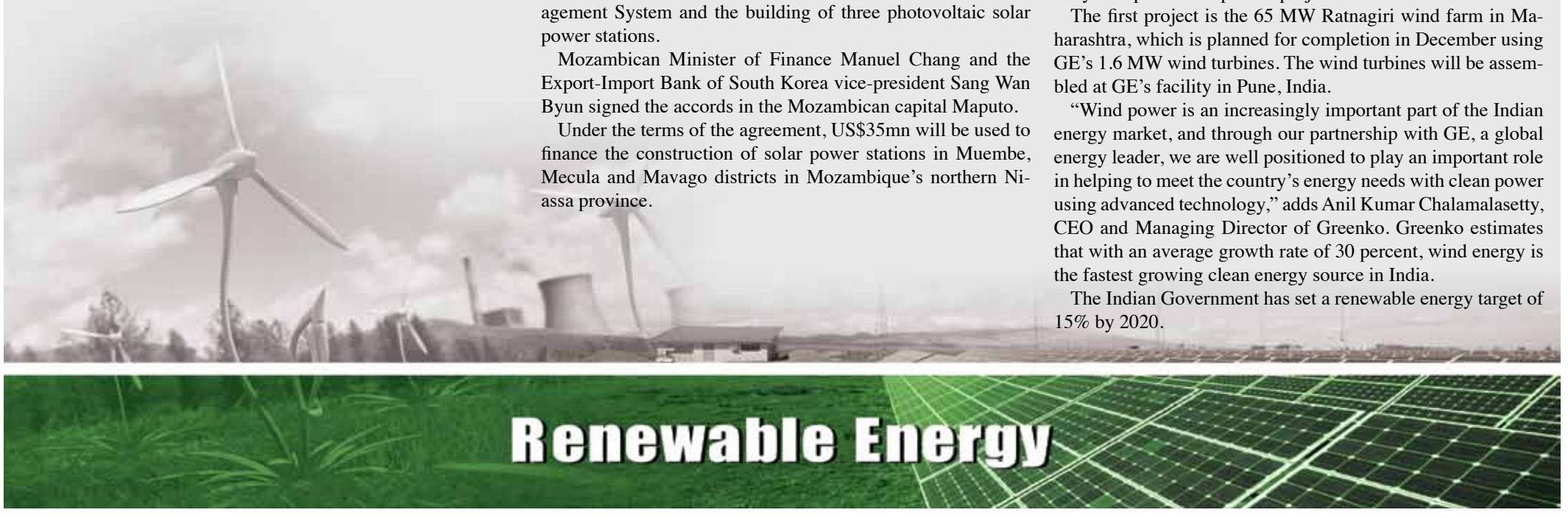
"This investment expands GE's presence in one of the world's fastest growing power markets with a local, proven renewable energy developer," says Raghuveer Kurada, Managing Director and Leader of India at GE Energy Financial Services.

Greenko is currently developing a pipeline of wind projects in the Indian states of Maharashtra, Andhra Pradesh, Karnataka and Rajasthan, which will be owned by the venture, an Indian holding company and the Greenko subsidiary specifically set up to develop wind projects.

The first project is the 65 MW Ratnagiri wind farm in Maharashtra, which is planned for completion in December using GE's 1.6 MW wind turbines. The wind turbines will be assembled at GE's facility in Pune, India.

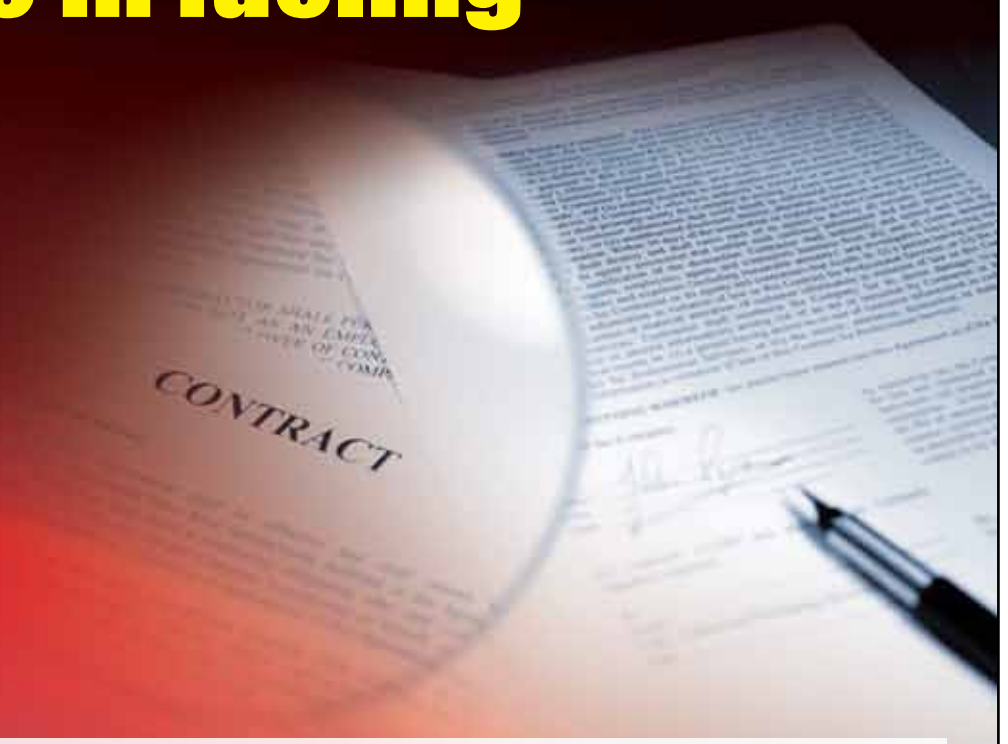
"Wind power is an increasingly important part of the Indian energy market, and through our partnership with GE, a global energy leader, we are well positioned to play an important role in helping to meet the country's energy needs with clean power using advanced technology," adds Anil Kumar Chalamalasetty, CEO and Managing Director of Greenko. Greenko estimates that with an average growth rate of 30 percent, wind energy is the fastest growing clean energy source in India.

The Indian Government has set a renewable energy target of 15% by 2020.



PSC's challenging role in fueling competitiveness

The rapidly evolving nature of the oil and gas industry makes it one of the world's most challenging and complex sectors for understanding, assessing and negotiating contracts. The legal and regulatory framework of upstream petroleum contracts is progressively changing as the tide of deregulation laps swiftly against the aging protectionist policies of state-regulated markets. Now, governments and petroleum producers alike are trying to adapt to the new way of doing business, though some are evolving faster than others



By Mohamed El-Bahrawi

Every country has unique political, social and economic characteristics that govern the pace of its development. Consequently, the process of creating an apposite contract, tailored to the country's unique features, is a carefully orchestrated ballet, a highly intricate and collaborative effort that warrants meticulous examination of these characteristics before the initiation of preliminary negotiations.

> "Nowadays, nearly half of the countries with the petroleum potential have a system based on the PSC"

Considering such unique features means drafting a customized contract, which essentially eliminating the prospect of one ideal formula for creating suitable upstream contractual agreements. Despite these challenges, there are general contractual frameworks that have shown remarkable success in mature global petroleum markets that merit serving as principal guidelines to the formation of suitable, beneficial and successful contractual agreements.

At the forefront of the crucial elements in creating an upstream contract is the type of fiscal-contractual regime chosen to govern the concession agreement; it primarily lays the foundation for a secure legal framework conducive to attracting foreign interest and boosting competitive advantage. Investors seek contracts that secure long-term investments that engender growth as the market gradually evolves. However, they also must accurately assess the economic realities of the contracting government, and ensure that social equity is not imperiled by the need for achieving sustainable development.

In-depth look into contracts

The numerous types of fiscal-contractual arrangements applied in today's upstream oil and gas markets can be reduced to three main regimes; firstly is the Concession Contract, also known as the Royalty Regime. This type of contract stipulates granting the investor the license to conduct exploratory and production operations in a specified geographic location in exchange for making a royalty payment (often regulated) on production, in addition to income tax on profits. The amount of the royalty is determined as an incremental rate beginning with a small percentage of gross revenues until the costs of operations have been recovered, at which point the rate increases to a higher percentage of either gross or net revenue. In doing so, the risks and profits are shared between the government and the investor alike.

Comparing the neighboring countries' systems to Egypt's, Algeria's fiscal regime, for example, is a concessionary system that applies several taxes, including but not limited to royalty payments, surface tax, corporate income tax, petroleum income tax and windfall profits tax. Operators under this regime must work in partnership with Algeria's national oil company Sonatrach, which usually participates with at least 51% in the concession.

Another example of a non-neighboring country that applies the concession contracts in its upstream petroleum deals is Argentina. The country is organized into federal provincial and municipal governments. The fiscal regime that applies to the petroleum industry is mainly the federal provincial one. Federal taxes come in the form of income taxes, value added taxes, custom duties and social security taxes, while provincial ones include turnover taxes, stamp taxes and royalty payments.

The Argentinian model is applied in the African continent but with some differences. Nigeria, for instance, implements a hybrid system that combines joint ventures with the Federal Government or a sole risk investor, and contractual regimes, which comprises of Service Contracts or Production Sharing Contracts (PSCs). Companies carrying out petroleum operations are deemed to be in the upstream regime and taxed under Nigeria's Petroleum Profits Tax Act. PSCs are used most frequently in exploration and development processes. Service Contract operators, on the other hand, are treated as not carrying out petroleum operations but rather as performance contractors and they are compensated only as service providers.

> "Division of profits is one of the most important benchmarks for comparing fiscal systems"

As a matter of fact, there are various examples of Concession Contract models. The elasticity of models is what essentially permits governments to successfully approach a suitable contract that tallies with their social, political and economic conditions. The Concession Contract regime is prevalent among the majority of West, along with several countries in Latin America, Middle East, Africa and Far East.

Another type of fiscal-contractual regimes, which will bare a closer examination as it is applied by the Egyptian government, is Production Sharing Contracts (PSCs). Unlike Concession Contracts, under a PSC the foreign investor is entitled to a percentage of the produced oil or gas to sufficiently recover operations costs. The remainder of production and profit is then shared between the government and the investor. Royalty and income taxes are also applicable under a PSC and its execution is usually handled by a joint venture between a national oil company on one side and an investor or more on the other side.

For many oil companies, an important part in the negotiation is securing the terms acceptable to the new potential partner (usually a government). Understanding the market and deciding which terms are realistic depends on the region's characteristics and potentials. Nowadays, nearly half of the countries with the petroleum potential have a system based on the PSC. However, the financial results could very well be similar to those of a Concession Contract arrangement.

The economics of the petroleum sector depend primarily on division of profits or what is known as "government/investor take"; the focal point of fiscal

comparisons. Investor take is the percentage of profits going to the producing company, while government take is the remaining share. Division of profits is one of the most important benchmarks for comparing fiscal systems since it correlates directly with reserve values, field size thresholds, and other measures of relative economics.

Examining the models of PSCs implemented in Egypt, government take is measured according to an array of competitive parameters ranging from percentages of production allocation and profit sharing to royalty taxes and cost recovery payments. The portion of government take is determined through a bidding process that weighs the potential levels of risk and reward the investor expects to encounter.

> **“There are significant limitations that hinder Egypt's chance to thrive and stand out among its regional counterparts”**

Once a mutually satisfactory arrangement is reached, the government grants the producer, in conjunction with one of the NOCs, an exclusive concession to explore a certain geographic location for a specified period of time. This period varies according to the findings and can range from three to four years with the option for one or two consecutive extensions that could last for a year or two.

After the conclusion of the exploration period, if the findings deem the location viable for commercialization, the concession is then converted into a development lease that extends for at least a 20-year term. The management and operations of the development lease are administered by the joint venture company, which operates as a private sector company while retaining independence from laws and regulations governing the private sector.

The method by which revenue is distributed among the involved parties under the Egyptian system is determined during the period of the development lease according to specified cost-and-expense recovery and production sharing provisions. Furthermore, The government imposes a royalty tax to be paid by the involved NOC in the amount of 10% of production or its equivalent in cash.

During the bidding round, the investor offers the government competitive options to the distribution of revenue. For example, the concept of Cost Recovery, where the producer offers to recover all the costs and expenses associated with the exploration, production and development on a quarterly basis, which is appropriated from a certain percentage of the production in addition to the cost of operations. A different but also competitive option is Production Sharing, where the remainder of production by the joint venture company is divided between the investor and the NOC according to agreed-upon percentage shares for specified increments of production.

Evidently, the dynamic nature of petroleum markets mandates a certain degree of flexibility in adjusting fiscal-contractual agreements to present the contracting parties with the opportunity of minimizing their risks. Such risks can manifest in the constant fluctuation of market prices, the increased competition for risk capital, the desire for enhancing the competitiveness of offers by both parties, or simply because the government decides to participate in the windfall profits.

The third type of regime for forming fiscal contractual-agreements, which is mostly applied in the developmental stage of an upstream operation, is the Service Contract. Under this system, the foreign contactor provides services to the government for a certain fee, which varies according to achieved rate of production and the market price. It is the only type of upstream contract in which royalty payments are not applicable, yet the government reserves the right to apply an income tax on the investor's acquired profits.

Barriers challenging the Egyptian market

Egypt possesses the strategic and comparative advantages to be one of the leading petroleum markets in the North-African region. The flexibility offered to oil companies in designing their own fiscal conditions increases the attractiveness and competitive advantage of Egyptian exploration and production deals. However, there are significant limitations that hinder Egypt's chance to thrive and stand out among its regional counterparts.

> **“The government has to find a balance that subtly maintains Egypt's competitive attractiveness whilst paving the way developing competent human resources”**

The first and foremost of these limitations is the transparency in the selection criteria on which bidding rounds are won. There is a degree of ambiguity surrounding the bidding processes that naturally incites reluctance among foreign investors. Therefore, it is on the government to publicly declare and explain the selection criterion that evaluates prospective.

Another problem lies in the compartmentalization of oil and gas operations, which runs counter to increasing the efficiency in production. The system can fortunately accommodate, alongside oil production, new developments to further incentivize the efficiency in exploration, production and promotion of Enhanced Oil Recovery (EOR) initiatives.

The list of limitations also arises from the turnaround of exploration acreage set by the Egyptian government. The exploration concessions in Egypt require the contractor to relinquish a specified percentage of the original concession that has not been converted into a development lease. However, exploration terms in Egypt can last up to ten years; the elongated exploration term is indeed a great attraction for investors, but it is also detrimental to the reserve replacement process as it slows down the overall exploratory activities. Hence, it is in the best interest of the government to shorten the relinquishment and extensions timeline to expedite the turnaround of exploration acreage.

Last but not least comes the issue of local participation. The government's imposed limitations on participation of domestic suppliers and manufactured supplies may be attractive to the foreign investor, but they tend to neglect the abundance of human resources and technical expertise available in Egypt that could be properly and efficiently utilized. Enforcing stricter terms to increase local participation may indeed discourage foreign investors and force them to seek other opportunities in competing nations. Hence, the government has to find a balance that subtly maintains Egypt's competitive attractiveness whilst paving the way developing competent human resources. Such goal could be realized by providing local participants with the platform for receiving the needed technical training and education that eventually leads them to have a highly efficient and more productive output. The aforementioned obstacles cannot be easily remedied indeed, but through a gradual introduction of the proper methods, such impediments are likely fade away.

Challenging factors hinder better PSC's terms

With a 45-year journey in the petroleum industry, whether in Egypt or worldwide, Eng. Hamed El-Ahmady, Group General Counselor of Seaharvest Group comments on the current critical situation and its effect on the petroleum sector. He shares his views about the idea of modifying the Production Sharing Contracts system and sheds light on the challenging factors hindering the gain of better PSC terms

By Yomna Bassiouni

Three Dimensions of the Sector

"Before we analyze the agreements' system in Egypt and discuss how efficient or profitable for all parties, we should first weigh the three dimensions that affect the contractual system, which are Egypt vs. the World, IOCs (International Oil Companies) vs. Hosting Countries and levels of production difficulty," highlighted El-Ahmady at the beginning of the interview.

Comparing the Egyptian petroleum market on a worldwide basis, Egypt is in fact one of the earliest countries that first started the petroleum industry. "Egypt has been engaged in the petroleum sector for nearly 125 years, which gives the country a leverage in the region," said El-Ahmady proudly.

The second dimension that should be taken into consideration is the number of IOCs versus the one of hosting countries. "In the past, the number of hosting countries and invest in their petroleum potentials were limited compared to the IOCs that are interested in their petroleum resources." But, nowadays, the situation has been flipped the other way around. Back to the 1960s, there were 14 hosting countries, but now their number reached about 130 countries with petroleum potentials worldwide. On the other hand, the IOCs have been categorized into real majors, majors, sub-majors, independent and capital venture. There have even been mergers between major international companies over the past years, such as ExxonMobil (formerly Exxon and Mobil), which led to less number of companies compared to the increasing number of hosting countries.

As a result, there is a robust competition nowadays between countries holding petroleum potentials to lure more foreign investments. "Petroleum officials tend to be more flexible, modify their strategies and provide catchy terms of E&P agreements that are beneficial for all parties." El-Ahmady recommended keeping a close eye on the neighboring countries, which are providing more facilities and compromises to gain the interests of investors. "We should cope with these efforts and always be a step ahead of other competitors."

"This second dimension leads us to the third one, which revolves around the level of production difficulty," he added. It is unfair to maintain same terms and agreements in all drilling locations; the onshore drilling is way different than the offshore one. "The needed technologies, drilling depth, types of rigs… etc. are all factors that should be considered before specifying the terms of each deal. It is obvious that the E&P operations in the Mediterranean area for example is way costly and more complicated than the drilling activities in the onshore Western Desert." The deep-water drilling can cost an average of $120 to $150 million per well, if it is an offshore drilling in deep waters or deep formations. The drilling of new frontier tends to be extremely expensive compared to other types of drilling. Hence, the companies that can afford the high expenses of this type of drilling are usually the major international ones, which enjoy the know-how and availability of tools and at the same time, they are experienced in evaluating the risks and weigh the loss.

Moreover, the difficult production is not limited to the offshore one, but it also involves the production off the brownfields. "This latter require high technologies and costly techniques for enhanced oil recovery to restore the production flow off these fields," he clarified.

Reserves: Factual against Fictitious Numbers

One of the trickiest topics in the petroleum sector is the volume of reserves of each hosting country. "From a political point of view, when a country reveals the volume of its reserves, this will attract the interest of more investors. But, from an investor point of view, this means other strategic tactics; he will either increase the production, which would harm the reservoir or he will decide to decrease his investment commitments as reserves do exist and are increasing, so he will try to save some costs."

Asked about the credibility of announced figures of reserves as there were accusations that governments tend to deceptively double the figures to win more investments, El-Ahmady clarified that some do refer to this ideology, however there is a plenty of reports issued by reputable organizations disclose the accurate figures and leaves no room for misleading announcements. "When a country reveals that its reserves have been doubled in just one year is not logically accepted! And, even if it worked and lured investments, companies will eventually find out the truth one day or another and shut down their projects, which would negatively harm the credibility of the whole sector."

El-Ahmday shed light on the various definitions of reserves that are wrongly used to promote the country's proven reserves. He also stressed that transparency and honesty are key elements for any industry worldwide. Besides, other factors such as the geographical position, infrastructure, political stability and economic conditions are an added value for any sector. Egypt does enjoy lots of the mentioned factors, which can contribute to fruitful investments in all sectors in general and in the petroleum industry in specific.

Roots of the Payment Delays

Citing the headache of delayed payments as one of the reasons for proposed changes of the Production Sharing Contracts (PSC's), El-Ahmady astonishingly addressed the question, "What has led the petroleum sector to this problem? What are the roots of this obstacle, taking into consideration that the petroleum sector has always had a separate annual budget?" He confirmed that the petroleum industry in Egypt enjoyed a status of independence by being a self-autotomized sector, financially as well as technically.

There was a negative manipulation of this budget, which has deepened the problem. For example, he highlighted, "how come we buy our production share from foreign investors and also purchase from the SUMED pipeline in order to use it in our refineries and then export it in form of other petroleum products! We claim that we are exporting, while in fact it is not our oil!"

In addition, El-Ahmday wondered how do we praise the "illogical" announcements of Egyptian petroleum exportation, while your current production does not cover the local demand! "Who are we fooling? Currently, the interim government and heads of the Ministry work hard to import some of the needed petroleum products and avoid any possible shortages."

Hence, it is irrational to call for the implementation of Free Market concept, while you do not have enough production, he added.

El-Ahmady believes that the delay of payment is the result of accumulative erroneous strategies that were previously applied.

Ongoing Gas Controversial Debate

Commenting on the controversial gas exportation deal with Israel, which tops the cases of corruption in Egypt, El-Ahmady mentioned that this deal does reveal a case of corruption in addition to its violation of laws, as it was not passed to the People's Assembly to receive the legislative approval! He further declared that some recent contracts with major foreign companies were signed and effective immediately without the authorization of the People's Assembly. "No one can deny the fact that Egypt, like many other countries worldwide, is suffering from corruption and lack of transparency. "

Although he finished his governmental service by retirement from nearly eight years, El-Ahmady allocated the corruption origins in the petroleum sector in two main phases; concluding the agreements and supervising the implementation of the terms of agreements. This is considered very common in many other governmental bodies, whether in Egypt or worldwide.

"Any sector does go through some ups and downs and corruption does exist all over the world, yet, I believe that after the January 25th Revolution, this should no longer be the case in Egypt."

Status of the Egyptian Petroleum Sector

"The Egyptian petroleum sector is currently experiencing very critical conditions due to the collapse of the old regime after the January 25th Revolution. A state of ambiguity and vagueness covers the sector nowadays, which hopefully will fade away soon. However, the petroleum sector in Egypt has kept its edge of attractiveness despite the speculations about the future and relationships with foreign investors."

Asked about the possibility of reviewing or modifying the Contracts of Production Sharing (PSC) as an attempt to lure more investments, specifically during these hard times, El-Ahmady rejected the idea, confirming that it will not be legitimate to make such a decision and on the contrary, it would be harmful to the sector's credibility. He explained, "Nowadays, you do not have a legislative entity to approve any kind of changes or amendments to any contract, or even approve a new PSCs, as there is no People's Assembly. Also, we all know well that the current interim government acts solely on a short-term strategy until it hands over the heavy duties to the new one." He declared that the Egyptian citizens should not judge or condemn the performance of this government in any way because it is just a transitional phase and the real changes and tactical decisions will be the responsibility of the coming elected ruling system.

El-Ahmady praised the role of current ministers, saying that it is "very patriotic to bear the responsibilities of this position (i.e. Minister of Petroleum) during such a very controversial and critical period of time in the history of nation".

"The idea of altering or modifying any agreements is absolutely unacceptable since you do not have the needed legislative channels. Hence, until you elect the new members of the People's Assembly, you should respect the already signed contracts in order to maintain the credibility of this strategic sector," concluded El-Ahmady.

In conclusion, Al Ahmady summarized the basic elements that hinder gaining better terms of the PSC's into four issues: more hosting countries, less investors (real majors, majors, sub-majors, independent and capital investors), more reserves and less human resources in terms of technical and managerial expertise.

Over 45 years, Hamed El-Ahmady was appointed chairman, managing director and board member of various companies. His long petroleum expertise covers various aspects, such as field development, reservoir engineering and production operations. He has occupied several senior positions over the years, such as chairman and managing director of Suez Oil Company (SUCO), chairman and managing director of Agiba Petroleum Company and deputy operations general manager at Western Desert Operations Petroleum Company (WEPCO). El-Ahmady started his career as a petroleum drilling engineer at the General Petroleum Company (GPC), moved to other positions in WEPCO and even acquired more experience by working abroad, as a reservoir engineer specialist at Qatar Financial and Petroleum Ministry and co-leader of the Qatari Hydrocarbon Resources and Reserves Revaluation project.

Seth
Development Project

The Seth development project is one of the major projects that is held by the Belayim Petroleum company (Petrobel) on behalf of the Pharaonic Company

By Osama El-Sayed, Projects General Manager for investments and JVs, EGPC

The project scope includes:

• Pre-drilling, re-entry and completion of two new development wells, with expected production rate of 4.5 5MMSm3/day.

• A new offshore platform in 83 meters water depth

• A new 16" X 11 km S/L to transport production via the Tuna existing PLEM and Temsah Pliocene network

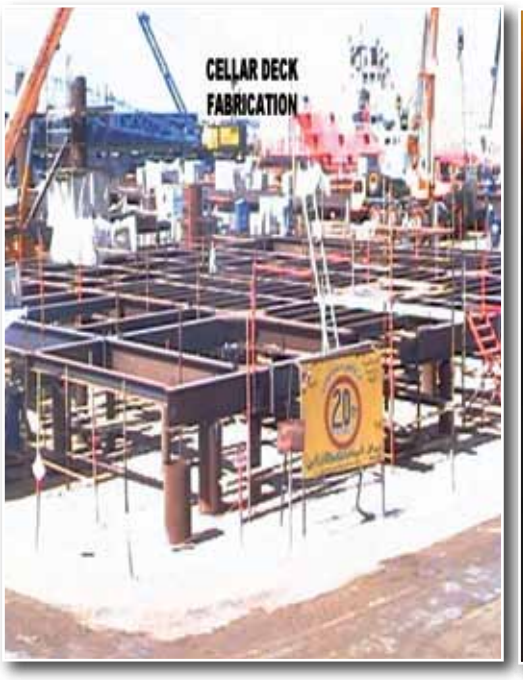
• Onshore receiving facilities and inter-connection with the existing plant

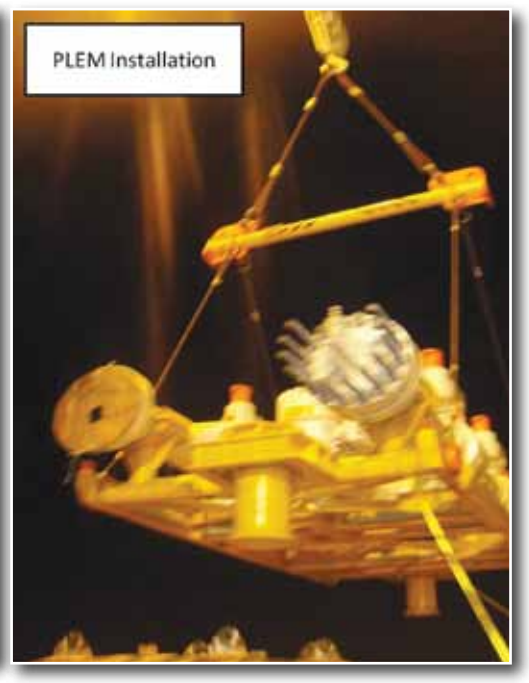
The project budget, including the D&C, counts for $316, 321K, while the actual cost reached up to $80,931K in last September. The detailed engineering and procurement services for sea line and onshore scope are still ongoing. Similarly, the detailed engineering, procurement services and fabrication activities for jacket, deck and pre-drilling template by the EPC contractor are in progress.

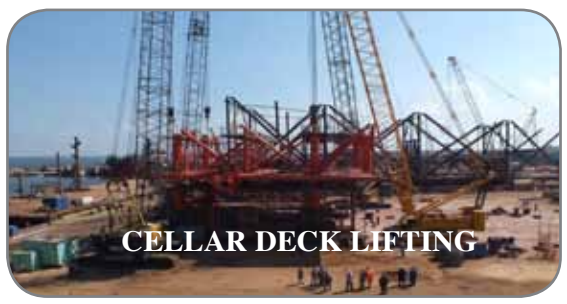
Besides, some of the ongoing activities include the procurement for top-side facilities and the jacket fabrication.

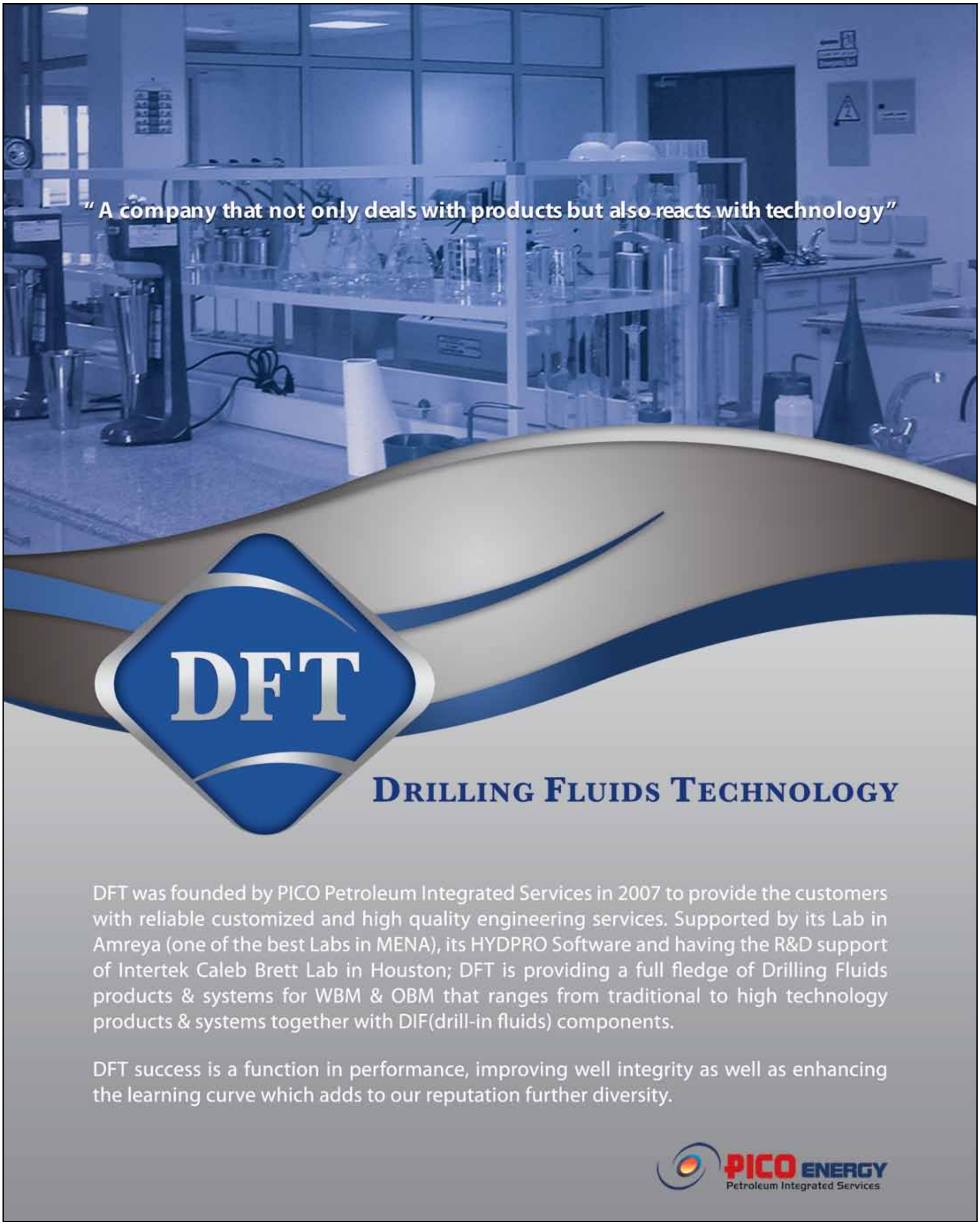
The pre-drilling template fabrication is completed and transported to Port Said IEOC base. The staus of the project includes aslo the PLEM/SSIV and spool campaign that already started, while the installation of PLEM/SSIV and spool works are in progress.

The Seth development project is expected to start in September 2012, which is less than one year from now. However, efforts are being made to achieve challenging anticipation to make the start date in July 2012 for the first well.








" A company that not only deals with products but also reacts with technology"
DFT
DRILLING FLUIDS TECHNOLOGY
DFT was founded by PICO Petroleum Integrated Services in 2007 to provide the customers with reliable customized and high quality engineering services. Supported by its Lab in Amreya (one of the best Labs in MENA), its HYDPRO Software and having the R&D support of Intertek Caleb Brett Lab in Houston; DFT is providing a full fledge of Drilling Fluids products & systems for WBM & OBM that ranges from traditional to high technology products & systems together with DIF(drill-in fluids) components.
DFT success is a function in performance, improving well integrity as well as enhancing the learning curve which adds to our reputation further diversity.
PICO ENERGY
Petroleum Integrated Services

Deep water goes ahead

Following a year of slow economic recovery, unstable price fluctuations and damaging incidents in the Gulf of Mexico and China, the oil and gas industry is predicting healthy investment in new exploration and market opportunities in 2011, according to a report on the future of the sector published earlier this year by the Economist Intelligence Unit and commissioned by GL Noble Denton, a leading independent technical advisor to the oil and gas industry

By Essa Bayoumi - Executive Vice President, Middle East and Africa, GL Noble Denton

Despite concerns over tougher industry regulation and increased operating costs, the 194 board-level executives and policymakers from some of the industry's leading international companies that were surveyed for the report were optimistic that 2011 would be a key turning point for the industry, as operators prepare to drill deeper in new geographies. Indeed, 76% of respondents to the Economist Intelligence Unit's research described themselves as either "highly" or "somewhat" confident about their company's business outlook this year, compared with only 8% describing themselves as "highly" or "somewhat" pessimistic.

This renewed confidence in the industry's growth is largely thanks to a period of relative price stability, particularly in North America and the fast-growth economies in Asia. The largest proportion of industry executives surveyed (32%) saw South-east Asia as offering the greatest opportunities for their business in 2011, while nearly a third (30%) of respondents to the Economist Intelligence Unit's research saw North America the most significant region. Additionally, emerging regions such as India, China and Brazil are underpinning oil demand as a result of their robust markets. Growth was also predicted for the Middle East this year, although the unexpected political uprising in some parts of North Africa has resulted in a reliance on the Gulf States to keep the region buoyant.

Uncertainty over regulation

It's positive to see that the industry still values the potential of North American production and, for larger oil companies in particular, the US Gulf of Mexico remains an attractive province, according to the Economist Intelligence Unit's report. In the trail of the first anniversary of the Deepwater Horizon incident, the potential impact of the regulation following the biggest oil disaster in US history continues to feature heavily in industry debate, and the results of the Economist Intelligence Unit survey reinforce the industry's feeling of uncertainty towards the effect of future legislation.

According to the report, the oil and gas industry recognises that increased regulation will follow the Macondo incident, but respondents to the Economist Intelligence Unit's survey seem unclear when new legislation will appear and what effect it will have. A very large proportion (72%) of respondents to the research said that they expect regulation to become more stringent in North America in particular, while a substantial majority (68%) expects cost increases in general.

During a round-table discussion on the findings of the Economist Intelligence Unit's report, organised by GL Noble Denton in London recently, European industry leaders voiced concern over how the increased cost of post-Macondo regulatory compliance may price smaller operators out of the market. A senior representative from an international oil company suggested that potential new regulation put into place after Macondo might have a pendulum effect, where operating costs will start off high before settling to a more manageable level.

The report also acknowledges that rising costs are likely to be more problematic for smaller E&P firms. Nearly two-thirds of production in the Gulf of Mexico is accounted for by such companies, and proposals to raise the US$75m cap on liabilities related to offshore oil spills will most likely hit them hardest as insurance becomes impossible or too costly to obtain.

Rising demand for energy resources means that companies are also increasingly required to develop resources in more challenging environments, such as the deepwater offshore. Reserves in these areas are becoming an increasingly prominent feature in global oil and gas production. With 20% of major oil firms' portfolios now coming from deepwater positions, this will clearly have an additional impact on spending.

The longer-term impact of Macondo however, looks set to be on companies' operational strategy, with the report suggesting that their safety record will become a more important factor in gaining access to global reserves.

Natural gas: a global 'game changer'?

Natural gas has gained a reputation as a relatively low-carbon "transition fuel" in recent years - especially for electricity generation - and the global demand for liquefied natural gas (LNG) has grown as countries in Asia and Europe have sought to increase their supply options.

According to the Economist Intelligence Unit's report, the emergence of large reserves of "unconventional" gas in North America has proved highly attractive to oil and gas companies looking to replace declining production and, instead of an anticipated decline in the region, extraction has increased dramatically as new technologies have helped to unlock vast tight gas resources.

But some of the industry's key players have disagreed with the report's findings, which dub natural gas as an industry 'game changer'. They suggest that companies may find the cost of extracting unconventional gas from reserves such as those in the United States will result in a weaker return on investment than originally expected.

The regulation of energy sources such as shale gas may also add cost to the process of extraction, with concerns being raised by some around the best practice for the controversial process of hydraulic fracturing. Currently regulated in North America by the individual states, the report highlighted the concerns of those worried that the potential addition of a further federal layer of regulation could slow operations in addition to resulting in subsequent price rises. The report also notes that there is an expectation for closer scrutiny of the environmental impact of unconventional gas – due to the fact that the techniques required to access it are still not fully understood.

Overall, the majority of the industry executives polled by the Economist Intelligence Unit expect a modest shift upwards in natural gas prices; especially as global demand is forecast to increase steadily over the next decade. Nearly one-half (48%) expect an increase of at least 10% in gas prices, compared with just 7% who think prices will fall by 10% or more. Most of the rest (35%) expect prices to fluctuate around the current price range.

Developing the next generation

The increasing shortage of technical skills across the industry is another topic close to the hearts of many oil and gas professionals, and was raised among sector leaders at the recent round-table discussions on Economist Intelligence Unit's report. Now we are faced with a period of investment and expansion, there is an overall feeling that the sector will come against challenges as a result of its failure to attract, recruit and retain highly talented people.

There are a number of reasons why the oil and gas industry is likely to experience a skills deficit within the next 15 years; the success of the finance industry - pre-credit crunch - to recruit talented graduates through the promise of high salaries and quick career progression have been detrimental to the oil and gas industry's recruitment of "fresh blood". The negative impact of the Macondo disaster on the industry has also played a role, alongside scepticism over the oil and gas industry's efforts to support more environmentally friendly approaches to energy production and distribution among younger generations.

Before the recent economic crisis, when investment into the oil and gas industry was last at its peak, initiatives were implemented by players from across the industry, who came together to introduce and develop emerging talent in a coordinated manner. Alongside the economic downturn came sweeping budget cuts and this good work has likely been halted, but if a period of investment comes to pass, as forecast by the Economist Intelligence Unit report, the industry could soon find itself returning to in a situation in which demand for technical resource outweighs supply.

Participants in the round-table discussions agreed that the industry needs to work more closely together to address the skills problem, rather than trying to pursue each others' technical staff. One industry association leader felt that the sector had lost its appeal to university graduates over the last 20 years, and while a number of oil and gas companies operate graduate programmes, the industry needs to do more to educate students at an even younger age about the innovations being developed to drive the sector forward.

Technical consultancies such as GL Noble Denton were also recognized as becoming increasingly important to the industry, in that they are able to provide the industry with consistent knowledge and advice during periods of talent deficit. Emerging nations such as India and China may also be depended upon more heavily to provide resource where more mature regions have difficulties in generating new industry talent.

With activity set to rise in the sector, companies need to focus on recruitment now, ensuring that the right talent is in place for the right price.

Cautious optimism

It is clear from the Economist Intelligence Unit's report - and the debates that its findings have sparked since its publication - that the oil and gas industry is extremely focused on its future challenges. It understands very well the need to find more innovative solutions to operating more safely, sustainably and efficiently.

It's encouraging to see that industry executives expect to see an upturn in investment into the sector, despite fears of tougher regulation and a more costly operating environment. But it is also clear that the industry still has hurdles to overcome if it is to take realize the full potential of that market growth.

The demand for energy is taking the exploration, production and distribution of oil and gas to tougher extremes of geography and climate; pushing the boundaries of the industry's technical knowledge to its very limits. The success of key players in the industry in finding more innovative solutions to mitigate risk while remaining resourceful whilst sustaining activity will define their position and reputation in the market over the coming years.

Oil and gas professionals are invited to contribute their views to research for a new Economist Intelligence Unit report on the future of the industry, which will be published in January 2012. To take part, visit www.gl-nobledenton.com/eiusurvey2012 and complete the online survey.

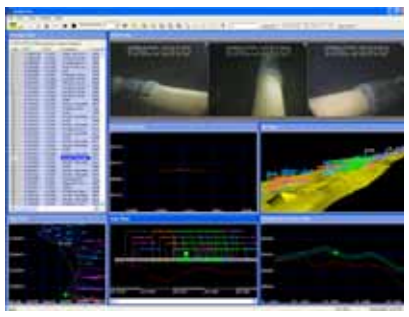
Fugro SAE:

Model of innovation and expertise in the Egyptian service market

Since 1996, Fugro SAE (abbreviated FSAE) has been pioneer in the introduction of ROV services to the Egyptian market. Now the provision of ROVs is one of Fugro SAE's core services. FSAE owns a versatile fleet of ROVs ranging from small Observation vehicles, through to light electric Work Class vehicles, up to powerful hydraulic Work Class vehicles capable of operating in water depths of 3000m. This fleet performs a comprehensive range of ROV related activities such as supporting drilling operations and undertaking underwater inspections, interventions and life of field activities.

For subsea inspections, FSAE provides all the local expertise to effectively plan, execute and control the subsea inspection requirements for any subsea structure, pipeline and platform inspection campaigns.

Moreover, FSAE has developed in house various digital reporting platform reporting formats which improves the data storage, and is easier to copy and backup, improves data quality, provides the facility of capturing high resolution videos and still photos, provides desktop access, and creates a client data base which guarantees efficient follow ups, future updates, and continuous improvement.



For drilling support, FSAE owns in country various hydraulic work class ROV systems that are usually deployed on jack-up, semi-submersible rigs or drill ships to perform a range of complex tasks that may require the application of subsea power, precise intervention or deployment of specialist tooling systems in deep water. Fugro has in-house built new FCV generation systems with its various models such as FCV 1000, FCV 2000, and FCV 3000 renders comprehensive applications for all water depths.

Fugro's Work Class ROVs are very adaptable and can be configured to carry an extensive range of intervention tools. These can be client owned or from our extensive rental pool.

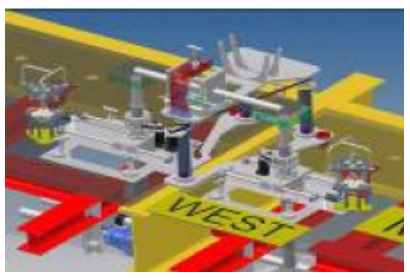
Complementing conventional shallow water geophysical surveys, FSAE also conducts deep water pre-engineering geophysical surveys using electrical work class ROV systems, which are capable of interfacing all geophysical survey sensors required for operations simultaneously, such as high resolution multi-beam echo sounder, side scan sonar, sub-bottom profiling sonar and ancillary equipment. In 2010, the first survey project was carried out for Burullus Phase VIIIa followed by two projects for Phase VIIIb in 2011. Survey data, acquired down to 1100m, were very impressive.

Fugro's Panther XT electric work class ROV system on board FSAE's survey vessel, Fugro Navigator, is dedicated for such type of operations. The Panther XT is also capable to conduct emergency ROV operations such as leak detection surveys, pipeline surveys…etc.

SUBSEA ENGINEERING AND INTERVENTION TOOLING SERVICES

Over the years FSAE's Subsea Engineering and Tooling Department has been expanded to supply an extensive Subsea Engineering, Intervention and Tooling Design service which can be delivered locally.

Since 2006 the Subsea Engineering and Tooling Department has been working with major clients in Egypt such as Burullus, BP, PhPC and Cameron.



Our Subsea engineers have developed a library of standard subsea intervention procedures for various subsea developments that allow rapid reaction to most subsea problems.

Fugro has also developed a number of field management tools including HTML reporting, the provision of master valve registers and equipment tracking inventories.

In addition, they have significant offshore experience and have successfully completed numerous offshore intervention activities within Egypt. Our engineers provide a complete start-to-finish service providing all the pre-job technical support required including procedure compilation, HSE management, specification and sourcing of equipment, liaising with 3rd party companies through to managing the offshore operation and final report close out.

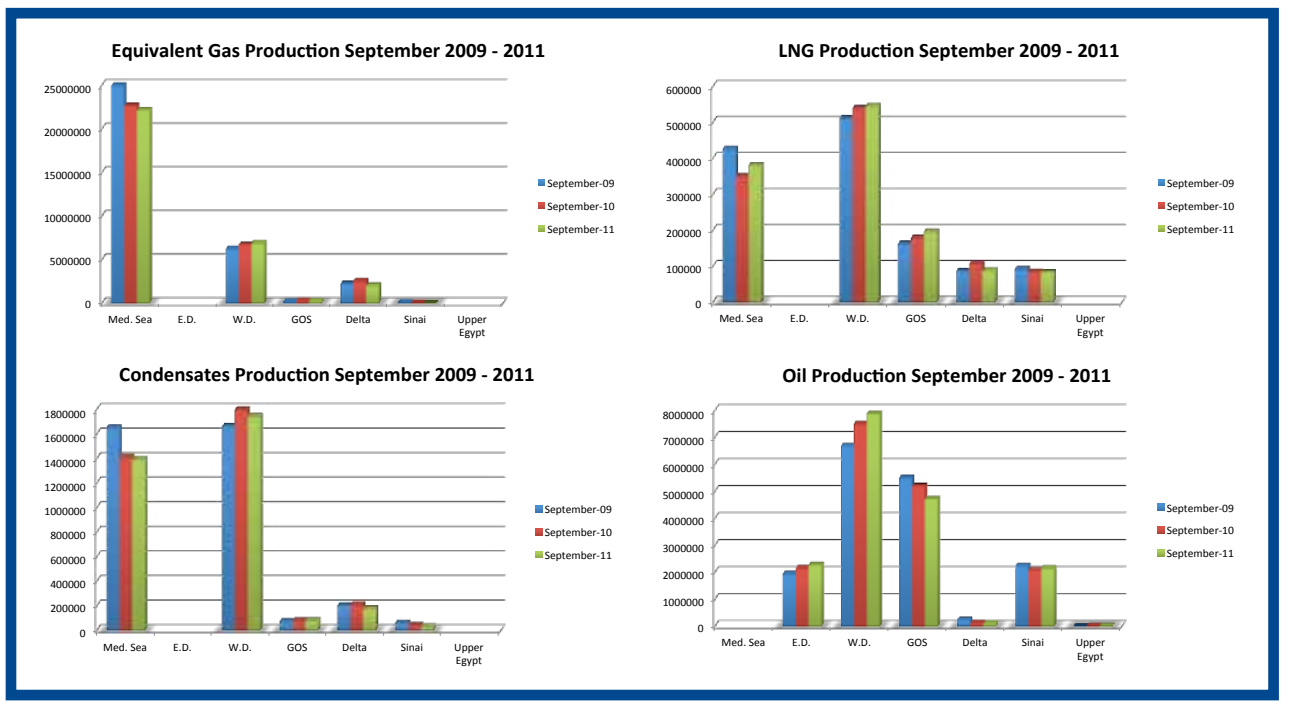
FSAE has local personnel expertise to provide operation and maintenance services locally. These services were developed by our Fugro inter-opco companies with their extensive experience and track record for management of client owned subsea equipment and intervention tooling (e.g. component change-out tools), design, build, FAT, SIT, offshore operation, maintenance and trouble shooting of subsea tooling (ex, CCOT and MPRT), developing of maintenance schedules and inventory control for subsea assets and running tools, provision of technical personnel, liaising with 3rd party equipment manufacturers, and Emergency Intervention Package (EIP) maintenance and operational support.

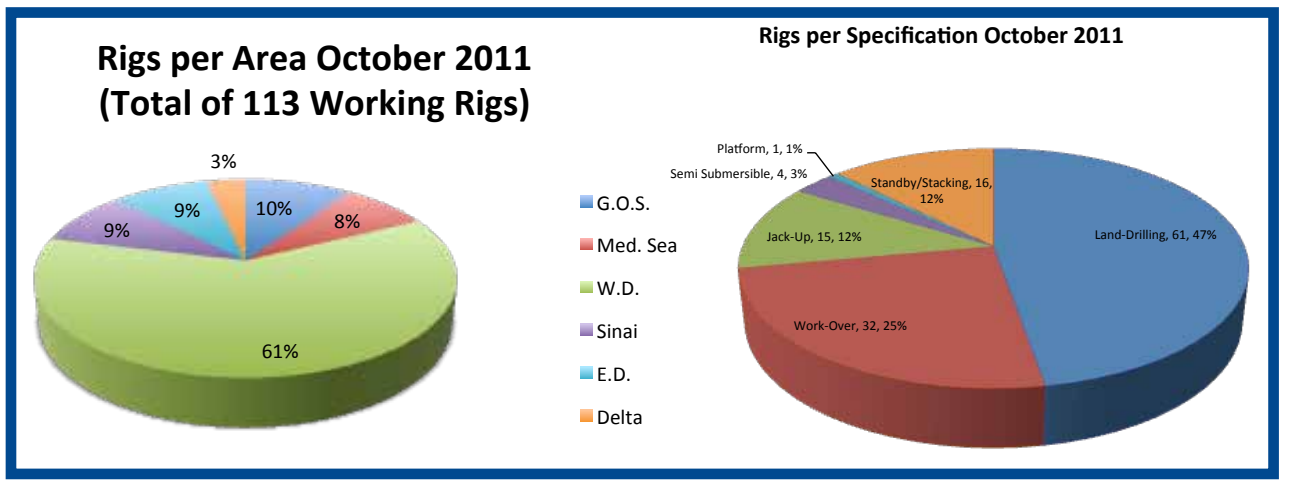
Last but not least, FSAE has an advanced in-house engineering department which can design and build bespoke tooling as per client requirements; our local design engineers managed to manufacture several successful tools with local materials and machining services such as M2 Repair, Seized Hot Stab/ Dummy hot stab Puller, Subsea Liquid Sampler… etc.

In summary, Fugro SAE has the expertise, experience and locally available resources to provide economically-delivered services and solutions for a wide range of subsea applications.

Egypt Statistics

	Oil			Equivalent Gas			Condensate			Liquefied Gas		
	Barrel			Barrel			Barrel			Barrel		
	September-09	September-10	September-11	September-09	September-10	September-11	September-09	September-10	September-11	September-09	September-10	September-11
Med. Sea				24957857	22648393	22139286	1651466	1411821	1392675	425985	349489	380317
E.D.	1941664	2153838	2265831									
W.D.	6672003	7487014	7864842	6236786	6703393	6876429	1660955	1796450	1743005	511205	539144	544858
GOS	5492215	5194673	4708600	192321	289821	286786	72295	80528	79013	162560	178667	195883
Delta	239205	117638	107092	2251786	2551250	2028393	201389	209237	176864	86580	107748	88222
Sinai	2230273	2093187	2144935	90893	38214	2857	59251	42188	30057	92246	84157	82861
Upper Egypt	2855	17042	18190									
Total	16578215	17063392	17109490	33729643	32231071	31333751	3645356	3540224	3421614	1278576	1259205	1292141





EGYPT OIL&GAS RESEARCH & ANALYSIS

Table 1 Egypt Rig Count per Area -September 2011

RIG COUNT			
Area		Total	Percentage of Total Area
Area			
Gulf of Suez		11	10 %
Offshore	11		
Land			
Mediterranean Sea		9	8 %
Offshore	9		
Land			
Western Desert		69	61 %
Offshore			
Land	68		
Sinai		10	9 %
Offshore			
Land	10		
Eastern Desert		10	9 %
Offshore			
Land	10		
Delta		4	3 %
Offshore			
Land	4		
Total		113	100%